

The complaint

The Estate of Mr M complains that Toyota Financial Services (UK) PLC ("TFS") irresponsibly provided Mr M with an unaffordable regulated hire purchase agreement.

This complaint has been brought by Mr and Mrs H, acting in their capacity as executors of Mr M's estate. So, in part I've referred directly to Mr and Mrs H throughout this decision.

What happened

In July 2023 TFS provided the late Mr M with a hire purchase agreement for a car with a cash price of around £23,500. Mr M paid a deposit of £2,500 and financed the remaining balance of around £21,000. The agreement was repayable across 48 months, with 47 instalments of around £310 and one final balloon repayment of around £11,770. The total repayable value, including interest and charges, was around £28,840.

Mr and Mrs H complained to TFS about irresponsible lending. They said they didn't consider TFS had completed proportionate checks before providing Mr M with this agreement; because had it done so they considered it would have identified the agreement wasn't sustainably affordable for Mr M.

TFS issued a final response letter in September 2024 in which it didn't uphold the complaint. In summary, it said its checks were proportionate and that it had made a fair lending decision when approving Mr M with the agreement.

Unhappy with TFS' response Mr and Mrs H referred the complaint to our service.

The complaint was reviewed by two investigators and ultimately our latest investigator didn't uphold the complaint. He set out why he didn't think the checks TFS completed were proportionate to the terms of lending being provided. So, he went on to consider what TFS would more likely than not have identified through proportionate checks; and concluded that TFS had made a fair lending decision.

TFS didn't respond to our investigator's views; Mr and Mrs H have responded to each view, and have provided consistent commentary as well as information and evidence in support of their position; which, in summary, ultimately remains that proportionate checks should have led to TFS concluding this agreement wasn't sustainably affordable for Mr M.

Mr and Mrs H asked for an ombudsman's review, so the complaint has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The information in this case is well known to all parties, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this

complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure all parties I've carefully reviewed everything available to me. I don't mean to be discourteous by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. Mr and Mrs H and TFS have been made aware of this approach.

At the time TFS arranged this agreement for Mr M it was required to carry out proportionate checks. These checks required it to assess his ability to afford the agreement being arranged and repay it sustainably, without causing him financial difficulties or financial harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't sufficient for TFS to just complete proportionate checks – it must also consider the information it obtained from these checks to go on and make a fair lending decision. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

I've followed this approach when considering this complaint and I've set out my findings below under separate heading for ease.

The lending decision

TFS has said before arranging this agreement for Mr M it reviewed his lending application and made enquiries with credit reference agencies (CRAs). It has said Mr M was on the electoral roll, and was an existing customer with an agreement with a similar monthly repayment, which was being paid with no concerns. It has said it identified Mr M had a credit card and bank account reported to CRAs and that these were both being managed well.

TFS has said it completed proportionate checks and made a fair lending decision when arranging this agreement for Mr M.

I've carefully considered the information and arguments presented. Having done so, I'm not persuaded TFS did complete proportionate checks in this instance; however, for reasons I'll go on to explain below, I do consider it made a fair lending decision when providing Mr M with this agreement.

TFS was tying Mr M into an agreement with a sizeable term, monthly payment and total repayable value. TFS needed to satisfy itself that Mr M would be able to sustainably afford this agreement across the full term. It hasn't provided our service with evidence that it obtained details of Mr M's income, or validated this information. I also haven't been provided with the data sitting behind the credit check it completed, and therefore I can't reasonably be sure on the conclusions it drew from this information. As a minimum I consider TFS needed to understand Mr M's income and regular expenditure, in order to reasonably assess his ability to repay this agreement.

TFS could have obtained this information in a number of ways as the rules aren't prescriptive in what it should consider. Our service's general approach is to ask a customer to provide us with their main bank statements showing their income and expenditure covering a period of three months leading up to a lending event. We generally find this allows us to recreate what proportionate checks would more likely than not have shown a lender, had it completed them at the time.

Mr and Mrs H have provided us with Mr M's bank statements covering the three months leading up to this lending decision. In the absence of any other contradictory information, I've considered this information to understand what TFS would more likely than not have identified about Mr M's financial circumstances, had it completed more detailed checks.

I note at this point that in response to our investigator's views Mr H considers it unreasonable that TFS should be afforded the benefit of what retrospective proportionate checks would more likely than not have shown it. While I acknowledge Mr H's comments relating to this point, I would set out, as our investigator has, that this is our service's well established approach to irresponsible and unaffordable lending complaints. And I've not seen any reason that I should depart from this approach in the individual circumstances of this case.

I acknowledge Mr H has said certain benefits Mr M was in receipt of shouldn't be taken into account as income, as these are for specific purposes to maintain basic necessities. Mr H has also said that due to Mr M's individual circumstances he wasn't required to pay council tax, and that this should have been of concern to TFS and considered as part of its assessment.

I would set out that proportionate checks would only require TFS' checks to be detailed to a certain point. And TFS would reasonably have been entitled to rely on the information it obtained through proportionate checks, as long as it wasn't contradictory to any other information it obtained or knew, or didn't identify any concerns.

The bank statements I've seen evidence that Mr M had a reasonable level of disposable income each month which was sufficient to sustainably afford repayment of this agreement. I've taken into account the benefits and pension credits received, and the non-discretionary expenditure which shows payments to regular outgoings such as mobile phone contracts, subscription services, and insurance and utility payments (which I've equated into monthly amounts based on the evidence of quarterly or regular payments). I've also taken into consideration that it has been noted that Mr M's wife did contribute to the household costs; so, it therefore would have been reasonable for TFS to have also taken this into account within its assessment.

There's no suggestion within the bank statements I've seen that Mr M was showing signs of financial difficulty. There are payments to a credit card, and the bank account was being run in a credit balance position. This supports TFS' comments that both of the accounts it had identified through its credit check were being managed well. TFS has also confirmed that the existing agreement Mr M had with it didn't continue after this new agreement was provided. As such Mr M didn't have two agreements running consecutively to maintain. So, had TFS completed proportionate checks I've not been presented with anything which I consider ought to have caused it concern, or to have led to it considering it would have needed to investigate Mr M's financial circumstances with a greater level of scrutiny.

I acknowledge that Mr M's financial circumstances may have been quite different behind what is evidenced within the bank statements I've considered. I don't doubt Mr H's testimony that Mr M's wife needed to obtain a part time job in order to support the household finances and repayment of this agreement; and that Mr M had a large debit balance with a utility company which was identified once his finances were reviewed. Mr H has also made reference to Mr M removing equity from the property, and that TFS shouldn't have lent to Mr M given his estimated life expectancy.

However, for the reasons I've set out above, I've not seen any evidence to suggest TFS knew – or ought reasonably to have known – about any of these points; or that proportionate checks would reasonably have identified them.

Mr H has also made reference to TFS not providing evidence that Mr M was on the electoral role. While I acknowledge Mr H's comments on this point, I don't consider this is relevant given what I've found above about the proportionality of the checks, and what I've found given a more detailed review of Mr M's financial circumstances through his bank statements.

So, taking all the above into account I've not seen anything which leads me to conclude TFS made an unfair lending decision when providing Mr M with this agreement.

Did TFS act unfairly or unreasonably in any other way?

I've gone on to consider whether TFS has acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

Mr M made all monthly payments in line with the contractual agreement until his passing. TFS has told us that the remaining balance which is due doesn't include any fees or charges, and is solely made up of a shortfall from the sale of the vehicle.

For the reasons I've set out above I've not been presented with any information which leads me to conclude TFS acted unfairly or unreasonably in relation to this agreement, or brought about an unfairness in the relationship. As such it follows that I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

I acknowledge my decision will be disappointing to Mr M's wife and Mr and Mrs H. As I've set out above, in no way is my decision intended to downplay or doubt the financial situation Mr M may well have been in when he applied for this agreement. However, my decision must be based on the information I consider TFS would more likely than not have identified through proportionate checks; and whether it was fair for it to lend based on that information.

Based on my above findings I consider TFS made a fair lending decision when providing Mr M with this agreement; and it therefore follows I'm not directing it to take any further action in resolution of this complaint.

I would, however, remind TFS of the obligations on it in acting fairly and sympathetically when engaging with all relevant parties and dealing with collection of any outstanding balance.

My final decision

My final decision is that I don't uphold this complaint about Toyota Financial Services (UK) PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr M to accept or reject my decision before 14 November 2025.

Richard Turner
Ombudsman