

The complaint

Miss L complains Go Car Credit Limited provided her with an unaffordable hire purchase agreement.

Miss L's complaint has been brought by a professional representative, but for ease I've referred to all submissions as though they are her own.

What happened

In November 2022 Go Car Credit provided Miss L with a hire purchase agreement to fund the purchase of a car with a cash price of around £7,700. The cash price was financed in full through this lending and was repayable across 60 monthly instalments of around £235. The agreement had a total repayable value, including interest and fees, of around £14,075.

Miss L made an affordability complaint to Go Car Credit in December 2024. She said had Go Car Credit completed proportionate checks before approving this lending it would have identified that it wasn't affordable for her. Miss L therefore says Go Car Credit didn't make a fair lending decision, and created an unfair relationship when providing her with this hire purchase agreement.

Go Car Credit didn't uphold Miss L's complaint. In summary it said its checks were proportionate and that it had made a fair lending decision when providing this agreement.

Unhappy with Go Car Credit's response Miss L referred her complaint to our service.

One of our investigators reviewed the details and upheld the complaint. She didn't consider that Go Car Credit's checks were proportionate, based on the terms of lending being provided and what it had identified about Miss L's finances. However, she went on to set out that Go Car Credit had obtained enough information to have reasonably concluded that it shouldn't have provided Miss L with this agreement. She therefore found that Go Car Credit hadn't made a fair lending decision.

Miss L responded to our investigator's view but hasn't set out whether she accepts it or not; Go Car Credit responded and didn't agree. In summary, it maintained its position that it had completed proportionate checks and made a fair lending decision. It referred to the adverse information reported on Miss L's credit file which it had identified through its checks, and set out that as a sub prime lender it didn't consider this overly concerning. It said this as Miss L was making inroads in reducing her outstanding balances. It also said that as a sub prime lender it would be inappropriate for our service to assess its lending decision through a 'prime lending lens'; and that the rules and regulations don't set out that the reporting of adverse information, including defaults and missed payments, should lead to an automatic refusal of credit.

Go Car Credit 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 Miss L and Go Car Credit, so I don't intend to repeat it in detail here. While my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me; but I've focused my findings on what I consider to be the key points. I don't mean to be discourteous to Miss L or Go Car Credit by taking this approach, but this simply reflects the informal nature of our service.

At the time Go Car Credit arranged this agreement for Miss L the relevant rules and regulations required it to carry out proportionate checks. These checks required it to assess Miss L's ability to afford the agreement being arranged and repay it sustainably, without causing her 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 Go Car Credit 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.

I've followed this approach when considering Miss L's complaint, and I've set out my findings below.

Before approving this hire purchase agreement Go Car Credit took Miss L's declared income and non-discretionary expenditure. It verified her income by obtaining two months' worth of recent payslips, and it completed a credit check to understand Miss L's existing credit commitments and management of credit.

Go Car Credit says although Miss L's credit file reported recent and historic adverse information, as a sub prime lender it provides credit to consumers with impaired credit records. It says in Miss L's case it was reassured that while there was adverse reported, that Miss L was reducing her debts; and that its creditworthiness assessment showed this agreement was sustainably affordable for her. It therefore says it completed proportionate checks and went on to fairly provide this hire purchase agreement.

I've carefully considered Go Car Credit's arguments. Having done so, I'm not persuaded its checks were proportionate in this instance; however, for reasons I'll go on to explain, I consider Go Car Credit had obtained enough information from its checks to reasonably conclude Miss L wasn't a suitable candidate to lend to.

While Go Car Credit may operate within the sub prime market, that doesn't remove or reduce the regulatory obligations on it to ensure it lends responsibly. Go Car Credit was providing Miss L with a hire purchase agreement with a relatively sizeable total repayment value. Given Go Car Credit was tying Miss L into a significant repayment term of 60 months, it needed to ensure the monthly payments were sustainably affordable across the full term.

I consider that in order to satisfy itself this would be the case, Go Car Credit needed to verify Miss L's actual expenditure rather than relying on her declarations. I consider this would be proportionate in the individual circumstances, given that its credit check showed recent adverse information; and that I consider the disposal income figure it had calculated through

its income and expenditure assessment didn't support the financial difficulties evidenced within the credit check.

Although I'd usually have expected Go Car Credit's checks to have been more detailed, I am persuaded that it had already obtained enough information to have reasonably concluded that it shouldn't have lent to Miss L.

I say this because the data it obtained through the credit check showed considerable recent adverse information. In summary it showed:

- One account had defaulted around ten months before this lending event.
- Three active accounts were in sustained arrears; with two reporting six months' worth of arrears.
- The total outstanding balances reporting across these accounts was in excess of £8,200.
- Two other active accounts were reported as being in a repayment plan.
- Three further which were settled had reported arrears within 12 months of this lending event.

While historic, the credit check also showed:

- Two other accounts had been in arrears within 18 months of this lending event.
- Miss L had relatively consistently been using what reasonably appears to be payday and installment lending since 2018.

Go Car Credit appears to have taken some assurance that Miss L had only opened one account within the recent months leading up to its lending decision. While I acknowledge this to be the case, looking back over a longer period of around 24 months, Miss L had opened around 11 accounts. While the majority of these accounts had been settled by the time of this application, I consider this does suggest a dependency on credit.

When considering the accounts in active arrears and the account that had defaulted, this appears to have been across a period where Miss L didn't obtain further credit; further supporting my thoughts that Miss L had a dependency on credit to meet her commitments.

While its affordability assessment appears to have shown Miss L had a reasonable level of disposable income to sustainably afford this new agreement; I can't agree that the credit file evidence it obtained supported this conclusion.

I say this because Miss L was clearly experiencing recent financial difficulties; being in arrears on a number of lines of credit, as well as defaulting an account within ten months of this application. Go Car Credit has pointed to it taking confidence from the fact that Miss L's balances on a number of credit accounts were reducing, showing that she was able to make payments to them.

While this does appear to be the case, Go Car Credit has also identified one of the accounts in sustained arrears had an outstanding debt of around £20 at the time of its check. While I acknowledge this balance would have been repaid within a short space of time, it doesn't remove the point that Miss L hadn't been able to maintain contractual monthly payments of around £30 for each of the four months leading up to this lending event. This account wouldn't had an outstanding balance of around £120 at the point it entered arrears, and I have concerns that a consumer with a disposable income of around £250 a month after taking into account repayments to this lending (based on Car Credit's affordability

assessment) would allow such a modest outstanding balance and monthly commitment to go unpaid and enter a position of sustained arrears, were it affordable for them to repay it.

Where this to be the only account in arrears, sustained or otherwise, I may be persuaded that repayment may be deliberately being withheld, due to an ongoing dispute for example. However, as I've set out above there was significant recent and historic adverse being reported to Miss L's credit file.

I acknowledge Go Car Credit's position that it is a sub prime lender, and therefore its market is providing credit to consumers with impaired credit profiles. However, it must ensure it weighs this up against the risk that lending may be sustainably unaffordable for a consumer, or cause financial distress or harm.

I note that Go Car Credit took an average of Miss L's income across the two payslips it obtained. One of the payslips detailed a commission payment, however this payment wasn't received on the earlier payslip. This suggests there were and could be months in the future where Miss L didn't receive a commission payment, and as a result her monthly income could be lower than the average Go Car Credit used within its affordability assessment. The difference between the net pay Miss L received within the two payslips would reduce Miss L's disposable income to around £390 per month; which would significantly reduce her remaining monthly funds when deducting the new payments towards this agreement.

While after the event, Go Car Credit has said Miss L has made all but one of her repayments in line with her contractual agreement. Go Car Credit has also pointed to further credit files it's obtained in 2023 and 2024 which it says paints an improved picture of Miss L's finances.

As Go Car Credit has acknowledged, these events are after its lending event. As such I don't consider it reasonable to place significant weight on them when considering its lending decision.

I would, however, set out to Go Car Credit as I'm sure it is aware, that a consumer making payments in line with their contractual obligations isn't in itself evidence that an agreement is sustainably affordable. Miss L has made our service aware of her reliance on her car for work, so it reasonably follows she would have prioritised making payments to this agreement above other credit or non-discretionary commitments.

Go Car Credit has also acknowledged that within one of the updated credit files shows Miss L has defaulted on another line of credit. So, I would question just how improved a financial situation she is in, given she clearly continues to be in financial difficulties and has had further adverse information reported to her credit file.

Given my findings above, I don't consider Go Car Credit reasonably engaged with the information it obtained about Miss L's financial position; and that it went on to make an unfair lending decision when provided Miss L with this hire purchase agreement.

As such, Go Car Credit needs to take steps to fairly resolve this complaint, details of which I've set out below.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Miss L in the circumstances of her complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I've found above that Go Car Credit made an unfair lending decision when providing this agreement, it follows that Miss L shouldn't be required to repay any figure above the capital value lent.

As I understand it Miss L's monthly repayments have now repaid the cash price of the car, that being £7,703.

As such, I direct Go Car Credit to take the following action in fair resolution of this complaint:

- End the agreement with nothing further for Miss L to pay. Miss L to retain the car.
- Refund any payments Miss L has made in excess of £7,703, representing the cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Miss L's credit file regarding this agreement.

*HM Revenue & Customs requires Go Car Credit to take off tax from this interest. Go Car Credit must give Miss L a certificate showing how much tax it's taken off, if she asks it for one.

My final decision

My final decision is that I uphold Miss L's complaint and direct Go Car Credit Limited to take the above action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 22 December 2025.

Richard Turner
Ombudsman