DRN-5646354

The complaint

Mr C complains about AutoMoney Limited's (AutoMoney) decision to provide him credit because they failed to conduct proper affordability checks before lending to him. He also says the high interest applied to the loan has caused him to suffer financial distress.

What happened

In May 2021, Mr C acquired a used car financed through a Hire Purchase Agreement (HPA) with AutoMoney. The cash price of the car was £14,995. Mr C paid a deposit of £4,500 with the balance of £10,495 provided as credit through the agreement.

The agreement required Mr C to make one monthly repayment of £416.32, followed by 46 monthly repayments of £367.32, before making a final repayment of £466.32 on month 48.

In February 2025, Mr C complained to AutoMoney about their decision to lend to him.

AutoMoney didn't think they'd done anything wrong, saying at the time of his application, they'd completed a thorough and robust affordability assessment to ensure the agreement was suitable for his needs. AutoMoney didn't uphold Mr C's complaint.

Mr C remained unhappy, so he asked the Financial Ombudsman Service to look into his complaint. He said he was unsure if proper affordability checks were conducted before AutoMoney lent to him and the high interest rate applied to the loan has caused him to suffer financial distress, making the repayments difficult to meet.

One of our Investigators looked into things and thought the checks AutoMoney carried out prior to lending were proportionate. And because AutoMoney's checks showed Mr C had enough disposable income to sustainably afford the monthly repayments, she didn't think they'd done anything wrong by agreeing to lend to him.

Regarding the interest rate Mr C was paying on the HPA, our Investigator said the rate was clearly stated on the agreement Mr C signed, and the repayment schedule clearly laid out so again, she didn't think AutoMoney had done anything wrong.

Mr C disagreed with our Investigator saying the interest rate he was being charged made his relationship with AutoMoney unfair. He remained of the opinion AutoMoney had completed inadequate affordability checks before lending to him saying his rent and other real-life costs had increased after he'd taken the finance out and said that evidence within his financial history had been ignored.

Mr C also said the repayment support he received from AutoMoney during the term of the agreement was lacking.

Because our Investigator's opinion didn't change and no resolution could be reached, this case 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.

Having done so, although I appreciate it’ll be a disappointment to Mr C, I’m not upholding his complaint. I’ll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It’s this approach I’ve used when deciding Mr C’s complaint. AutoMoney needed to ensure that they didn’t lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for him before agreeing to provide the loan.

The rules that apply to credit agreements are set out in the FCA’s consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like AutoMoney to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I’ve considered these rules by asking the following questions:

- Did AutoMoney complete reasonable and proportionate checks to satisfy themselves Mr C would be able to meet the repayments of the borrowing without experiencing significant adverse impact on his financial situation?
    - If they did, was their decision to lend to Mr C fair?
- Did AutoMoney act unfairly or unreasonably in any other way?

<u>Did AutoMoney complete reasonable and proportionate affordability checks?</u>

What’s considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer’s specific circumstances at the time.

Here, the total amount repayable under the agreement was around £22,279, with Mr C committing to make a repayment of £416.32, followed by 46 monthly repayments of £367.32 and then a final repayment of £466.32. This was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I’d expect to see AutoMoney to have completed a thorough affordability check.

At the time of her application, AutoMoney verified Mr C’s net income as being around £3757 a month by requesting to see four weeks of payslips. To calculate the monthly figure, AutoMoney used the lowest of Mr C’s weekly income across the four weeks.

AutoMoney then went on to complete a credit check with the credit reference agencies (CRAs). While Mr C’s current financial situation looked ok, AutoMoney could see he had defaulted on two accounts previously. While these did look historic and Mr C active accounts showed in good standing, I think due to the term of the loan and the repayments he was committing to, I would have wanted AutoMoney to better understand Mr C’s current financial situation. I can see they did this.

At the time of the application, AutoMoney gathered information from Mr C about his actual expenditure and used statistical data.

Importantly here, for each type of expenditure, AutoMoney used the higher of the two figures they'd obtained when calculating his commitments so for example Mr C declared his expenditure towards food to be £40 a week. Whereas this would equate to around £160 a month, statistical data said a personal fitting Mr C circumstance was likely to spend around £240 a month. AutoMoney used £240.

Another example is when considering health expenses such as dentists and prescriptions, Mr C said this wasn't applicable but as statistical data said around £58, AutoMoney used £58.

From all the information they gathered, AutoMoney calculated Mr C had committed expenditure towards essentials such as rent or mortgage, existing credit commitments, insurances and utilities of around £892. The also calculated he had other committed expenditure towards things such as food, essential bills, clothing and entertainment of around £1,137. This left Mr C with a disposable income of around £1,540 each month.

So, in summary, I wouldn't expect AutoMoney to do more in the circumstance given they verified Mr C's income and the credit check results in the most part showed he was managing his current credit commitments well.

While AutoMoney saw some signs of historic financial difficulties, they went on take into account his actual existing credit commitments, alongside using the information he'd declared and used satistical data, to gain a better understanding of his expenditure before making a lending decision.

Overall, I think AutoMoney completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if they agreement was affordable and sustainable for Mr C.

But this doesn't automatically mean AutoMoney went on to make a fair lending decision – it's this I'll go on to look at next.

Did AutoMoney make a fair lending decision?

AutoMoney used the lower of Mr C's weekly payslip income amounts to verfiy his net monthly income to be at least verified, figure of £3,569.

In addition, when calculating Mr C's expenditure, AutoMoney used a combination of the information he'd declared and his actual credit commitments from the CRA data, alongside statistical data – importantly taking the higher of the figures found into consideration before calculating his remaining disposable income.

After doing this, AutoMoney found Mr C had monthly expenditure of around £2,029, which left him a disposable monthly income of around £1,540. After factoring in Mr C's highest monthly commitment towards the new agreement of £466.32, AutoMoney calculated he would be left with around £1,073 disposable income. Mr C's actual monthly commitment for the majority of the agreement was £367.32, so ultimately most months the caluclation showed he would actually have around £1,172 per month at the time of the lending.

While AutoMoney did see some signs of historic financial stress from their initial checks, they also saw that he was managing his exsisting active credit well. AutoMoney then took additional steps to better understand his income and expenditure prior to agreeing to lend.

I understand from the information provided by Mr C, his expenses such as his rent significantly increased sometime after he took out the loan. But I must take into account what

AutoMoney would have known at the time they made their decision. And based on the evidence provided, I'm satisfied their checks were responsible and proportionate. I'm also satisfied they made a fair lending decision based on the outcome of those checks so I'm not upholding this complaint.

Did AutoMoney act unfairly or unreasonably in some other way?

From what I can see, Mr C maintained the agreement well until it was settled. While I can see his direct debit didn't always go to plan, and he requested to change his payment date on occasions, his account was brought back into good order soon after.

I understand Mr C is unhappy with the interest AutoMoney charged him. I've looked at the HPA Mr C signed, and I can see this was communicated to him prior to him entering into the agreement. This interest rate is the rate AutoMoney were happy to extend Mr C credit at and unfortunately it isn't for me to tell them as had to offer him a lower rate. Ultimately, Mr C didn't have to proceed with the finance if he was unhappy with the terms on offer.

I'm satisfied AutoMoney communicated with Mr C both prior to him entering into the agreement and throughout, as I would've expected them to have. So, I don't think they've acted unfairly here.

I've also considered whether AutoMoney acted unfairly or unreasonably in some other way given what Mr C has complained about, including whether its relationship with Mr C might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think AutoMoney lent irresponsibly to Mr C or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 October 2025.

Sean Pyke-Milne
Ombudsman