

The complaint

Mr L complains that Toyota Financial Services (UK) PLC trading as Lexus Financial Services (Toyota) lent to him irresponsibly.

What happened

On 30 June 2021, Mr L entered into a finance agreement with Toyota as shown below, to buy a new car. Mr L fell behind with repayments leading to the car being repossessed, the account defaulting and the debt becoming payable in full by March 2023.

Date	Amount of credit	Term	Monthly payment	Total repayable
30 June 2021	£30,323.00	48 months	£399.16	£38,526.52

On 7 July 2024, Mr L complained to Toyota with the help of a professional representative. In his complaint, Mr L said at the time of the lending Toyota failed to perform proportionate checks and lent to him unfairly. He thinks that if Toyota had completed proper checks, it would have known the agreement wasn't sustainable.

Toyota looked into the complaint and issued a final response letter saying it didn't think it had acted unfairly. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies (CRA) held about Mr L. It also said that when Mr L ran into financial difficulties as a result of his change in circumstances it treated him fairly. But it offered £25 to Mr L for the delay in responding to the complaint.

Mr L didn't accept Toyota's response, so he referred his complaint to our service, again with the help of a representative. One of our investigators looked into the case. Based on the evidence that was available, our investigator said she couldn't reasonably conclude that the lending was irresponsible, or that the relationship was unfair.

Mr L didn't accept what our investigator said, so as there was no agreement, 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.

Having done so, I agree with the outcome the investigator reached for broadly the same reasons.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Toyota carry out reasonable and proportionate checks to satisfy itself that Mr L was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?

- Did Toyota make a fair lending decision?
- Did Toyota act unfairly or unreasonably towards Mr L in some other way?

Toyota had to carry out reasonable and proportionate checks to satisfy itself that Mr L would be able to repay the credit sustainably. It's not just about Toyota assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Toyota has explained that it carried out a full credit search to get an understanding of Mr L's situation before it decided to lend to him. It's provided a copy of what it found, and this shows that Mr L had had two missed payments on a credit card in the last 24 months. But other than this he was up to date with all other accounts and didn't appear to be over indebted or struggling to manage his finances.

The search showed Mr L had two loans with combined repayments of £406 and two credit cards with combined monthly repayments of £49. He was maintaining the accounts well, with no current arrears and there were no defaults, bankruptcies or IVA's recorded. Mr L has provided a copy of his credit file which indicates he had four loans around this time, but it doesn't provide any further information on the status or repayments due on these loans. These also didn't show up on the credit search Toyota completed, and it's reasonable for Toyota to rely on this information. So, I can't say they should have reasonably known about any additional loans.

That said, I can't see that Toyota asked Mr L what his income was or that it took other steps to gather information about his income in some other way. Nor did it gather any information about Mr L's expenditure aside from his repayments to other credit. So, although Mr L was managing his active credit well in June 2021, given the missed payments in the last 24 months and the lack of information about Mr L's income and expenditure, I can't be satisfied that Toyota carried out proportionate checks. Taking into account the amount borrowed, the repayments, and length of the agreement, I think it would have been reasonable for Toyota to get a better understanding of Mr L's financial situation and disposable income before lending to him.

We asked Mr L for a copy of his bank statements from the time of the lending to establish what Toyota would likely have found had it asked Mr L more questions about his finances. I think it would be helpful to say there are a number of ways Toyota could have gained a better understanding of Mr L's financial situation and for the avoidance of doubt, I'm not making a finding here that Toyota needed to see Mr L's statements before lending. Rather I think it needed to verify Mr L's income and gather more information about his regular expenditure.

Mr L has been able to provide a copy of his credit report but the lack of information here means it doesn't give much insight into Mr L's financial situation at the time of the lending. Mr L wasn't able to provide a copy of the statements we asked for but told us at the time of the lending he was earning around £1,900 a month and was paying around £600 towards bills and housing costs. I can't be sure this is accurate without seeing Mr L's statements but even if I were to rely on this information, taking account of Mr L's income and essential expenditure (including his debt) after repayments to the loan, he would have had around £450 in disposable income which is reasonable.

So given the information available, although I think Toyota's checks should have gone further, I've not seen enough to persuade me that Toyota made an unfair decision to lend to

Mr L. On the information that has been provided, it appears the agreement was likely affordable.

I appreciate that Mr L struggled to maintain the agreement later on, however this appears to be due to a change in circumstances because of ill health and a bereavement, which I am sorry to hear of. I can see that Toyota agreed several repayment plans before eventually repossessing the car when these plans failed, which seems reasonable. I haven't seen any evidence to suggest that Toyota treated Mr L unfairly when he fell into financial difficulties or that it treated him unfairly in any other way.

Overall, it's not clear enough to me that Toyota created unfairness in its relationship with Mr L by lending to him irresponsibly, or in the way it handled the account under the credit agreement. So, I don't find that Mr L's relationship with Toyota was unfair, and I can't conclude Toyota treated Mr L unfairly in any other way based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 21 October 2025.

Charlotte Roberts
Ombudsman