DRN-5736405

The complaint

Miss N complains about a hire purchase agreement she took out with Go Car Credit Limited to fund the cost of a used car. Miss N believes that Go Car Credit Limited should not have lent to her, as the repayments towards the agreement each month were unaffordable.

Miss N also complains about the way Go Car Credit Limited dealt with her when she made contact to say she could not afford the monthly repayment. And Miss N is also unhappy about the quality of the car and says she has experienced a number of issues with it since taking possession of the car.

What happened

Around October 2022 Miss N acquired a used car through a hire purchase agreement with Go Car Credit Limited. The price of the car was £6,908 and in addition to the amount of credit for the car, Miss N was required to repay almost £6,500 for the total cost of the credit. The total amount payable was around £13,700 and was to be repaid by 45 monthly instalments of £303.98.

In November 2024 Miss N complained to Go Car Credit Limited about the credit agreement being missold as it was unaffordable. She refers to struggling to meet the monthly repayments and that she got into problems with other borrowing as she prioritised the hire purchase repayments with Go Car Credit Limited.

Miss N also included details of the problems she had experienced with the car and refers to a previous complaint with Go Car Credit Limited about this.

Go Car Credit Limited responded to Miss N's complaint towards the end of January 2025 and set out the reasons why it did not uphold the complaint. As she was entitled to do, Miss N then referred her complaint to our service, where it was considered by one of our investigators. They set out in some detail why Miss N's complaint should be upheld and what Go Car Credit Limited should now do to put things right. Miss N accepted the investigator's findings, but Go Car Credit Limited did not. Go Car Credit Limited provided further submissions and after the investigator explained why these did not change the outcome, the complaint has now been referred to me so that a final decision can be issued.

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.

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Miss N's complaint. Having carefully thought about everything I've been provided with, I'm upholding Miss N's complaint and directing Go Car Credit Limited to compensate her.

The investigator has already set out in some detail what Go Car Credit Limited was required to do at the time it considered Miss N's credit application and in summary, Go Car Credit

Limited needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Go Car Credit Limited needed to carry out proportionate checks to be able to understand whether Miss N could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Go Car Credit Limited carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Were the checks that Go Car Credit Limited carried out before lending to Miss N reasonable and proportionate?

Go Car Credit Limited has supplied copies of the application documents, which show it did make various enquiries about Miss N and her personal and financial circumstances. This included, among other things, details around her income and expenditure, proof of income and an assessment of her credit file.

Go Car Credit Limited's application refers to Miss N having a disposable income of £986.01, after deducting £1,698.35 monthly expenditure from a £2,684.36 monthly income. I have considered what Go Car Credit Limited has said around taking an average of the two months (£485.75 for one month and £2,550.97 for the second month) wage slips and this resulted in a more cautious appraisal of Miss N's income at the time. Adding this to the benefits income Miss N also received does not seem unreasonable, in isolation, in my view. Enquiring about Miss N's expenditure may also not have been particularly unreasonable either, when considered with the income.

But Go Car Credit Limited also performed and credit check on Miss N's current and previous credit and other financial commitments and having considered what Go Car Credit Limited knew from this, I think it should have done more.

The credit reference agency information about Miss N's previous and existing credit commitments that Go Car Credit Limited reviewed referred to a high number of accounts, a number of which were showing as defaulted, with others showing missed payments. In its response to the investigator's view Go Car Credit Limited appears to argue the insignificance of the number of historic credit accounts, defaults and late payments. I disagree and looking at the information on the credit file should in my view have led Go Car Credit Limited to have made further enquiries about Miss N's financial position.

Considering the number of current and historic credit accounts, the type of credit accounts (i.e. some were home credit or high-cost short term credit), the late payment markers and what Go Car Credit Limited's file suggests were 12 'Historic Defaults', this suggests to me that Miss N has clearly had problems previously repaying her existing commitments and has been unable to make all payments on time. The defaults appear to be outstanding, rather than settled, which suggests Miss N had not been able to repay the defaulted sums. This again in my view should have led Go Car Credit Limited to have made further enquiries into Miss N's financial position, beyond what it had done already.

Would reasonable and proportionate checks have indicated to Go Car Credit Limited that Miss N was unable to sustainably make the monthly repayments to her hire purchase *agreement?*

As proportionate checks weren't carried out before Go Car Credit Limited entered into this agreement with Miss N, I can't say for sure what they would've shown. So I need to decide whether it is more likely than not that a proportionate check would have told Go Car Credit Limited that it was unfair to enter into this agreement with Miss N as it was unaffordable to her. Miss N has provided us with evidence of her financial circumstances at the time she applied for the finance.

I completely accept different checks might show different things and just because something shows up in the information Miss N has provided, it doesn't mean it would've shown up in any checks Go Car Credit Limited might've carried out. But in the absence of anything else from Go Car Credit Limited showing what this information would have shown, I think it's perfectly fair and reasonable to place considerable weight on it as an indication of what Miss N's financial circumstances were more likely than not to have been at the time.

To be clear, I've looked at Miss N's bank statements and the other information she's provided because this is readily available and in my view a good way to understand more about Miss N's financial position at the time, looking at what here income and expenditure actually was. I'm not suggesting Go Car Credit Limited was required to obtain copies of applicants' bank statements every time and other reasonable steps or considerations might at the time of the applications achieved the same results. But the bank statements happen to contain the information I now need to reconstruct the proportionate check Go Car Credit Limited should carried out and which it has failed to evidence doing.

Miss N has a number of accounts, with more than one provider and the details of these have been considered. The bank statements appear to suggest different amounts of money being received in accounts, but in a lot of instances this is essentially the same money being moved back and forth to and from the same accounts throughout the month. The statements do include Miss N's salary and benefits but it is clear from the account summaries that show the 'Money in' and 'Money out' that there is very little or no disposable amount and Miss N's income is being spent each month.

Miss N's income varied considerably across the period reviewed and there is evidence of Miss N not meeting her existing commitments with unpaid payments. A number of Miss N's payments are to well-known debt collection or debt purchasers, and are small in their amounts. These are very likely linked to the defaulted accounts Go Car Credit Limited was aware of on Miss N's credit file and suggest she had agreed repayment plans to repay those defaulted accounts.

This is in my view again evidence of Miss N not being able to previously afford her financial commitments and I struggle to see how Miss N had the necessary available income to afford the more than £300 each month for the cost of the new finance agreement without her borrowing further or it having a significant adverse impact on her financial position.

So having carefully considered everything, I'm satisfied that reasonable and proportionate checks would have alerted Go Car Credit Limited to the fact that Miss N wasn't in a position to sustainably make the payments to this agreement. And it therefore follows that I find that Miss N wasn't in a position to take on this commitment, Go Car Credit Limited shouldn't have lent to her.

I have considered what Go Car Credit Limited said about how long Miss N successfully made the repayments towards the credit agreement for without missing a payment and that it considers this supports the fact that the agreement was affordable. But Miss N has said that she would prioritise payments to the Go Car Credit Limited agreement over other commitments, so I'm not persuaded the repayment history alone demonstrates the credit agreement was actually affordable.

I also note Miss N contacted Go Car Credit Limited around five months into the agreement term to discuss some financial difficulties. I note that when Miss N called to discuss this she was effectively told that she should be able to afford to make the monthly repayment and after indicating she would struggle to make the payment, said she would reach out to others to help her.

As the investigator has already referred to, as a regulated credit provider Go Car Credit Limited is required to treat customers in financial difficulties in a certain manner. The FCA's Consumer Credit Sourcebook (CONC) requires firms to, *…pay due regard to the interests of its customers and treat them fairly…* and treat customers *…with forbearance and due consideration…* I've not seen any evidence Go Car Credit Limited did this when Miss N called to discuss the difficulty she would have making the due payment.

Problems with the car

The hire purchase agreement Miss N took out with Go Car Credit Limited was to fund the cost of a used car. As the supplier of the car through the hire purchase agreement Go Car Credit Limited is responsible for ensuring the car was of satisfactory quality at the time it was supplied. Miss N has also complained about a number of problems with the car and this formed part of a separate complaint that Go Car Credit Limited responded to in January 2023.

Although our service can consider complaints about the quality of cars acquired through a regulated hire purchase agreement, where a respondent business has issued a valid final response letter to a complaint, there is only a certain amount of time for that complaint to be referred to our service. As the investigator has set out, Miss N did not refer that complaint to our service within the required timescale and we cannot therefore consider those complaint points.

Miss N has raised additional issues around the quality of the car more recently but having considered what has been said and provided, in particular the age and mileage of the car, the issues and the amount of time and mileage that has now passed since Miss N got the car, I share the same views as the investigator on these issues. The car was aged with a fair amount of mileage at the time it was supplied. That has increased since Miss N got the car and considering the issues and what the Consumer Rights Act 2015 sets out about satisfactory quality, I'm not persuaded there is sufficient evidence here to show the car was not of satisfactory quality (in relation to the later issues raised outside of the first complaint).

Putting things right

The information I've been provided with indicates that Miss N's finance agreement remains live and Miss N still has the car. I have calculated that by now the repayments Miss N should have made to Go Car Credit Limited exceed the cash price of the car. Although I do not consider Go Car Credit Limited should have granted the loan in the first instance to allow Miss N to acquire the car, having considered all of the available circumstances of this complaint, I consider fair redress would be to allow Miss N to keep the car and for Go Car Credit Limited to essentially treat the loan as if it was free from interest and charges.

If Miss N has repaid more than the £6,908 purchase price of the car, Go Car Credit Limited should now end the agreement with nothing further to pay. Any amounts paid over the £6,908 purchase price should be refunded to Miss N, with interest.

If I am mistaken and Miss N has not made repayments that amount to the £6,908 cash price of the vehicle, Go Car Credit Limited should reduce Miss N's liability to an amount no more than £6,908, ensuring any repayments already made are factored into any outstanding balance. The future repayment amount should be reduced to an amount equal to what the monthly repayments would have been from the outset had the agreement not incurred any interest or charges.

In both instances, Go Car Credit Limited should ensure that any adverse information on Miss N's credit file is removed and when the agreement ends, it should be marked as settled in full.

Any interest amounts should be calculated at 8% simple per year from the date of any overpayment, until the date of settlement. HM Revenue & Customs requires Go Car Credit Limited to take off tax from this interest. Go Car Credit Limited must give Miss N a certificate showing how much tax it has taken off if she asks for one.

Finally, I'm satisfied that Go Car Credit Limited's failures here have caused Miss N some distress and inconvenience, in particular around how she was going to meet the repayments to this agreement and her other financial commitments. In recognition of this, and in addition to the above, Go Car Credit Limited should pay Miss N an additional £150.

My final decision

For the reasons given above, I'm upholding Miss N's complaint. Go Car Credit Limited should put things right for Miss N in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 15 September 2025.

Mark Hollands
Ombudsman