

Complaint

Miss S complains that Volkswagen Financial Services UK Limited (trading as “Audi” Financial Services) unfairly entered into a hire-purchase agreement with her. She’s said the agreement was unaffordable and so she shouldn’t have been accepted for it.

Miss S has used a “representative” to make her complaint.

Background

In December 2019, Audi provided Miss S with finance for a used car. The cash price of the vehicle was £21,115.41. Miss S paid a deposit of £1,000.00 and entered into a 48-month hire-purchase agreement with Audi to cover the remaining £20,115.41.

The loan had interest, fees and total charges of £6,551.35 which was made up of interest of £6,541.35 and an option to purchase fee of £10. And the balance to be repaid of £26,666.76 (not including Miss S’ deposit) was due to be repaid in 48 monthly instalments of £268.37 followed by an optional final payment of £13,785.00 which Miss S had to pay if she wished to keep the car. Miss S settled the agreement in full in June 2021.

In October 2024, Miss S complained that the agreement was unaffordable. Audi didn’t uphold the complaint. In its view, it was satisfied that Miss S could afford to make her repayments and it was therefore reasonable to lend. Miss S remained dissatisfied and referred her complaint to our service.

Miss S’ complaint was considered by one of our investigators. He didn’t think that Audi had done anything wrong or treated Miss S unfairly. So he didn’t recommend that Miss S’ complaint should be upheld.

The representative, on Miss S’ behalf, disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

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 S’ complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss S’ complaint. I’d like to explain why in a little more detail.

Audi needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Audi needed to carry out proportionate checks to be able to understand whether Miss S could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Audi 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.

Audi says it agreed to this application after it completed an income and expenditure assessment on Miss S. During this assessment, Miss S provided details of her employer and Audi cross checked Miss S' income against the funds going into her main bank account each month. Audi says it also carried out credit searches on Miss S which showed some well-maintained existing credit accounts with outstanding balances.

In its view when the amount reasonable repayments to the amount Miss S already owed, plus a reasonable amount for Miss S' living expenses were deducted from her monthly income the monthly repayments for this agreement were affordable. On the other hand, the representative says that Miss S was in an unstable financial position and so shouldn't have been lent to. I've carefully considered what the parties have said.

The first thing for me to say is that Audi has provided a record of the results of its credit searches. Audi searches appear to show that Miss S had some existing credit commitments and that these had been well maintained. However, I can't see that Miss S' income was verified. Bearing in mind the term of the agreement and the total amount payable here, this is information I would have expected it to have had.

As I can't see that Audi had this information, I'm not persuaded that the checks it carried out before agreeing to lend to Miss S were proportionate. As Audi didn't carry out sufficient checks, I've gone on to decide what I think it is more likely than not to have seen had it obtained further information from Miss S.

While I've looked at the bank statements Miss S has provided in order to do this, I've done this because I'm having to retrospectively determine what a proportionate check is likely to have looked like a number of years after this should have been done. And bank statements have all the information I now need to do this. However, I wish to make it clear that Audi was not required to review Miss S' bank statements.

In any event, the bank statements provided do appear to show that when Miss S' committed regular living expenses and existing credit commitments are deducted from the funds going into her account, there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due under this agreement.

I also have to consider the Miss S' submissions in the context that they are now being made in support of a claim for compensation. Whereas at the time of sale, at least, Miss S clearly wanted the car she had chosen and it's fair to say that any explanations she would have provided would have been with a view to persuading Audi to lend rather than highlighting the agreement was unaffordable.

Therefore, I think that it is unlikely – and certainly less likely than not – that Miss S would have disclosed her living costs made this agreement unaffordable, or more importantly that Audi would have been in a position to know this had it carried out proportionate checks.

So I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Miss S could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that Audi would have declined to lend if it had found out the further information that I think it needed to here. As this is the case, I've not been persuaded that it was unfair for Audi to lend to Miss S.

In reaching my conclusions, I've also considered whether the lending relationship between Audi and Miss S might have been unfair to Miss S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Audi irresponsibly lent to Miss S or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I've not been persuaded that reasonable and proportionate checks would have prevented Audi from providing these funds, or entering into this agreement with Miss S. So I'm not upholding this complaint. I appreciate that this will be disappointing for Miss S. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 December 2025.

Jeshen Narayanan
Ombudsman