

The complaint

Mr T complains that Toyota Financial Services (UK) PLC ('TFS') irresponsibly entered into a hire purchase agreement with him. He says TFS failed to take reasonable steps to ensure his ability to make repayments under the agreement sustainably.

Mr T has been represented by a third party. But for clarity, I've only referred to Mr T throughout this decision.

What happened

In March 2018 TFS provided Mr T with finance to purchase a used car. The car cost £12,669 and Mr T paid a deposit of £800. He had an existing agreement with TFS and part-exchanged that car as part of this transaction. This left an outstanding balance on the previous agreement, which was added to the new agreement. After interest and charges the total amount due was £16,366.20, repayable in 60 monthly instalments of £272.77. Mr T settled the agreement in full in April 2023.

In December 2023 Mr T complained to TFS saying that they didn't undertake appropriate affordability checks. He said TFS were irresponsible to enter into a finance agreement with him. TFS didn't agree with Mr T's complaint. In their view they carried out reasonable and proportionate checks, and they decided the lending was responsible on the strength of those checks.

Mr T remained dissatisfied with TFS's response and referred the complaint to our service, where it was considered by one of our investigators. He didn't think TFS's checks had been proportionate. In his view proportionate checks would have shown that the agreement wasn't affordable for Mr T. For this reason, he thought the complaint should be upheld.

Mr T accepted our investigator's view. TFS didn't agree. They said Mr T had a strong and consistent repayment history with them and with external creditors. The new agreement was only around £30 more than the previous agreement. TFS didn't think they needed to verify Mr T's income or request his bank statements based on what they'd seen. As no agreement could be reached the complaint came to me for a decision.

I issued a provisional decision on 3 September 2025. In that I said:

"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 don't intend to uphold Mr T's complaint. I realise this'll be disappointing to hear, so I'll explain why.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What's proportionate depends on the specific circumstances of each application. We'd expect lenders to think about the nature of the credit (the amount repayable and the term, for example) and about the applicant's individual circumstances. I'd expect a lender to find out more about a prospective borrower's ability to repay if for example, a borrower's income was low, the amount lent was high, or the borrower's credit file reveals an impaired credit history.

TFS said Mr T told them he was employed full time. But I haven't seen anything to suggest that TFS asked Mr T about his income, or that they made any other efforts to understand what his income was. CONC 5.2A.15R requires a firm to take reasonable steps to determine or make a reasonable estimate of the customer's current income unless the firm is able to demonstrate that it's obvious in the circumstances that the customer is able to make the repayments. I haven't seen anything to suggest it was obvious that Mr T would be able to make the repayments – and TFS haven't said this either. Mr T was taking on repayments of over £270 per month over the next five years. Overall, I'm inclined to say TFS should have taken steps to establish Mr T's income.

There are different ways a lender can go about determining a prospective borrower's income, such as requesting a payslip or using tools from one of the credit reference agencies. I can't be sure what TFS would have done had they decided to check Mr T's income. In the absence of anything else, I've relied on bank statements Mr T provided for December 2017 to February 2018. They show that Mr T's average monthly income in those three months was around £1,456. Overall, I'm inclined to say that proportionate checks would have shown Mr T earned around £1,456 net per month and that TFS could reasonably rely on that figure.

TFS carried out a credit check before accepting Mr T's application. Mr T had a current account with an agreed overdraft limit of £1,600. He was utilising around £453 of the agreed limit. He also held a credit card with a credit limit of £3,500 and a total outstanding balance of around £1,256. I can see TFS assumed Mr T was repaying 5% of the revolving balance each month – around £63. I think this was reasonable, given that CONC requires a firm to assume that revolving credit is repaid over a reasonable term.

The credit check also showed a mortgage with monthly payments of £329. TFS said this was held in joint names and so Mr T would be responsible for half the payment – around £165. Mr T had an existing TFS agreement with monthly payments of £239 and a loan with repayments of £32 per month. Overall, TFS' checks showed that Mr T's external credit commitments totalled around £260 per month (excluding the existing TFS agreement). Mr T managed these accounts well, with no missed or late payments. And TFS's check didn't reveal any other adverse information reported on Mr T's credit file such as defaults or County Court Judgments.

CONC requires firms to take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current non-discretionary expenditure unless the firm can demonstrate it's obvious in the circumstances of the particular case that the customer's non-discretionary expenditure is unlikely to have a material impact on affordability risk. Here, TFS had established that Mr T had monthly credit commitments of £260. Deducting this and the proposed repayment of around £272 per month from his net monthly income of £1,456 would leave Mr T with around £924 each month to cover other committed expenditure. I'm inclined to say that TFS could reasonably conclude that this was sufficient to cover non-discretionary expenditure –

and so I'm not persuaded that TFS needed to take additional steps here to ascertain Mr T's non-discretionary expenditure before agreeing to lend to him.

Mr T's representative sent in a comprehensive analysis of Mr T's bank statements which in their view shows that the agreement wasn't affordable. But as I've explained above, there's nothing in the credit check TFS undertook that suggested Mr T was struggling financially to the extent that Mr T now says. And I don't think there's anything within the information TFS collected that ought to have prompted them to ask for Mr T's bank statements.

In summary, had TFS conducted proportionate checks I'm satisfied they'd have been able to confirm Mr T had enough disposable income to make the repayments. It's more likely than not that TFS would have then reached the same lending decision. So, I don't think TFS acted unfairly or unreasonably in agreeing to lend to Mr T.

Did TFS act unfairly in any other way?

I've also considered whether TFS acted unfairly or unreasonably in some other way given what Mr T has complained about, including whether their relationship with Mr T might have been unfair under s.140A Consumer Credit Act 1974.

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

Mr T didn't agree with my provisional decision. He said, in summary, that the provisional decision doesn't take into consideration the requirements of CONC or the evidence of his actual financial position. He didn't think it was enough for TFS to rely on a credit check and historic payment performance. In Mr T's view, his bank statements show that the agreement was unaffordable. He said he'd taken on a mortgage less than six months before entering into the agreement. This substantially increased his committed expenditure.

TFS didn't have anything further to add.

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.

My provisional decision explains that there isn't a set list in CONC when it comes to reasonable and proportionate checks. Instead, CONC provides guidance as to the extent of a creditworthiness assessment and the steps needed to satisfy the requirement that such an assessment is reasonable, based on sufficient information, and proportionate to the individual circumstances of each case.

In the circumstances of Mr T's complaint, I agree that TFS needed to do more than simply carrying out a credit check and looking at how he managed his existing agreement. TFS should have taken steps to verify Mr T's income. But I remain satisfied that once TFS had verified Mr T's income, they could reasonably conclude that the agreement was affordable for Mr T – and so they didn't need to find out more about his likely outgoings.

Mr T said he had taken out a mortgage less than six months before he entered into this agreement. And although it was a joint mortgage, he made the monthly repayments in full. That may be so. But TFS could reasonably take into account the fact that this was a joint

commitment and assume that the joint mortgage holder was contributing to the payments. In addition, the credit check TFS carried out showed no signs of financial distress. Mr T opened no new lines of credit after the mortgage, and he continued to make repayments to his existing commitments as they fell due. This includes the existing TFS agreement, which would be replaced by this agreement and had broadly similar repayments. So, although Mr T had recently taken on a mortgage, the information TFS gathered didn't give rise for concern.

I appreciate that Mr T's actual financial position may have been different. But I don't think this would have been apparent unless TFS checked Mr T's bank statements. I haven't seen anything to suggest that a reasonable and proportionate check should have extended into obtaining bank statements.

In summary, I remain satisfied that if TFS had conducted proportionate checks they would have been to confirm Mr T had sufficient disposable income to make the repayments. It's more likely than not that TFS would have then reached the same lending decision. So, I don't think TFS acted unfairly or unreasonably in agreeing to lend to Mr T.

My final decision

For the reasons given above I don't uphold Mr T's complaint about Toyota Financial Services (UK) PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 16 October 2025.

Anja Gill
Ombudsman