

Complaint

Mr D complains that CA Auto Finance UK LTD (at the time using the trading name of “Fiat Financial” Services) unfairly entered into a hire-purchase agreement with him. He’s said the agreement was unaffordable and so he shouldn’t have been accepted for it.

Background

In May 2022, Fiat Financial provided Mr D with finance for a used car. The cash price of the vehicle was £20,625.75. Mr D paid a deposit of £800 and entered into a 48-month hire-purchase agreement with Fiat Financial for the remaining £19,825.75 he required.

The loan had interest, fees and total charges of £4,761.35 (made up of interest of £4,760.35 and an option to purchase fee of £1) So the balance to be repaid of £24,587.10 (which does not include Mr D’s deposit) was due to be repaid in 47 monthly instalments of £366.30 followed by an optional final payment of £7,371.00, which Mr D had to pay if he wished to keep the car.

Mr D’s complaint was considered by one of our investigators. She didn’t think that Fiat Financial had done anything wrong or treated Mr D unfairly. So she didn’t recommend that Mr D’s complaint should be upheld. Mr D 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 Mr D’s complaint.

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

Fiat Financial needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Fiat Financial needed to carry out proportionate checks to be able to understand whether Mr D could make his payments in a sustainable manner before agreeing to lend to him. And if the checks Fiat Financial 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.

Fiat Financial says it carried out credit searches on Mr D which showed no significant adverse difficulties with credit in the form of defaults or County Court Judgments ("CCJ"). It would appear that Fiat Financial accepted Mr D's application on the basis of this.

I've thought about what Mr D and Fiat Financial have said.

The first thing for me to say is that I don't think that the checks Fiat Financial carried out did go far enough. In my view, given I can't see that Fiat Financial validated Mr D's income or understood what his non-credit related expenditure was, I think that it needed to take further steps to validate this as well as get an appreciation of Mr D's actual living costs.

As Fiat Financial didn't carry out sufficient checks, I have gone on to decide what I think Fiat Financial is more likely than not to have seen had it obtained further information from Mr D. Given the circumstances here, I would have expected Fiat Financial to have had a reasonable understanding about Mr D's regular living expenses and his income as well as his existing credit commitments (which it already had).

I've considered the information Mr D has provided us with. And having done so, this information does appear to show that when Mr D's committed regular living expenses and existing credit commitments are deducted from his income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I note that Mr D has carried out his own line-by-line analysis of his bank account transactions and in his view he didn't have enough left over for emergencies once the payments to this agreement was deducted from his disposable income. However, Mr D's analysis has been carried out with the use of bank account transaction data and this includes all of his expenditure, rather than just his committed expenditure.

I also have to keep in mind that Mr D's most recent submissions are being made in support of a claim for compensation and any explanations Mr D would have provided at the time are more likely to have been with a view to persuading Fiat Financial to lend, rather than highlighting any unaffordability. So I think it unlikely that Mr D would have volunteered that he had the level of expenditure he's now referring to, particularly as Fiat Financial wasn't required to request bank statements, or bank account transaction data, from him in the first place.

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

However, for the reasons I've explained, I don't think Fiat Financial irresponsibly lent to Mr D or otherwise treated him unfairly in relation to this matter. 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. And I'm not upholding this complaint.

Overall and having carefully considered everything, while I've not been persuaded that Fiat Financial's checks before entering into this hire-purchase agreement with Mr D did go far enough, I've not been persuaded that reasonable and proportionate checks would have prevented Fiat Financial from providing these funds, or entering into this agreement with him.

This means I've not been persuaded that Fiat Financial acted unfairly towards Mr D when it

lent to him and I'm not upholding the complaint. I appreciate that this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 November 2025.

Jeshen Narayanan
Ombudsman