

## **The complaint**

Mrs P complains that Volkswagen Financial Services (UK) Limited ('VWFS') irresponsibly granted her two hire purchase agreements she couldn't afford to repay.

## **What happened**

In January 2019, Mrs P acquired a new car financed by way of a hire purchase agreement from VWFS. The amount borrowed was £24,692.06. Mrs P was required to make 48 monthly payments of £361.30. The total repayable under the agreement was £31,959.09. The agreement was settled in June 2022 before she took out the second agreement.

The second hire purchase agreement was taken out in June 2022, when Mrs P acquired another new car from VWFS. The amount borrowed was £44,092. Mrs P was required to make 48 monthly payments of £667.24. The total repayable under the agreement was £57,391.77. The agreement ended in December 2024.

Mrs P complains that for each agreement, VWFS failed to carry out fair and proportionate checks before agreeing the finance. As a result, her overall financial situation got worse.

VWFS looked into these complaints and said it was confident that for each agreement it had carried out reasonable and proportionate affordability checks which showed the new agreement was likely to be affordable and therefore VWFS hadn't acted irresponsibly. As Mrs P doesn't agree, her complaint has been passed to me for a final decision.

## **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 unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs P's complaint.

When assessing affordability, there isn't a set list of checks that VWFS needed to complete, but they needed to be borrower focussed and proportionate to things like the type of lending, the cost of the lending as well as the amount, and the period of time over which Mrs P would need to make repayments.

In much the same way as our investigator, but this time dealing with each agreement in turn, I'll look at the checks VWFS carried out before agreeing to lend to decide if they were fair and proportionate. In this complaint, given the amount being borrowed, I agree that better checks were probably needed. So I'll look at what reasonable and proportionate checks would have been likely to have shown.

### *the first agreement – January 2019*

When applying for the finance, Mrs P gave VWFS details of her occupation and residential status. Apart from relying on what she'd said, VWFS also carried out a credit check that

showed there was no significant history of missing payments on her existing credit commitments or other issues of concern in her recent credit history, although she had from time to time exceeded the available credit limits. The search showed that she owed around £28,000 in existing credit. She was also contributing jointly towards repaying a mortgage.

In terms of checking for affordability, aside from checking her income, VWFS relied on the dealership asking Mrs P if the agreement was going to be affordable for her. Mrs P has told us she was visibly pregnant at the time and so this ought to have prompted questions about her future earning ability. I can't know what was said at the time of her signing the agreement. I've also seen from the customer notes that Mrs P told VWFS in November 2019 when speaking to them about arrears, that she'd intended to return to work from maternity leave without losing any pay and this may well have been her intention at the time.

VWFS didn't ask Mrs P for proof of her income or for details about what she had to spend money on every month aside from credit, such as household costs. Without knowing what Mrs P's regular committed expenditure each month was, VWFS wouldn't have got a wider understanding of whether the agreement was affordable or not. I've also kept in mind that Mrs P was taking on a significant financial commitment for the next five years, regardless of what her other spending commitments were at the time. So VWFS needed to be assured that she could repay the agreement sustainably.

I therefore agree with our investigator that it would have been proportionate for VWFS to have got a more thorough understanding of Mrs P's financial circumstances before lending to her.

So I next need to consider what better checks by VWFS would likely have shown about Mrs P's ability to make sustainable repayments under the agreement. I can't be certain what Mrs P would have told VWFS had it asked about her regular expenditure. To help, I've reviewed some bank statements Mrs P sent us from the period before she made the application.

The statements show that Mrs P's monthly income varied but averaged out at around £2,900. Broadly speaking, they show average household and living costs of around £920 and average insurance and credit costs of around £830. So, Mrs P had an average disposable income each month of around £1,150. That means, after paying for the new agreement, she'd be left with around £790. So I've got to a similar point to that of our investigator whereby Mrs P would have been left with funds left to pay for car running costs but also for discretionary items and leisure spending.

To be clear, I am not suggesting that Mrs P wouldn't have to be careful with her spending going forwards, having taken on this substantial new commitment. But from what I've seen, Mrs P's financial situation appeared to be relatively stable, without enough to show or suggest that it might be at risk of deteriorating.

I therefore think the agreement was likely to be affordable to Mrs P. For this reason, I'm not persuaded that VWFS acted unfairly in approving the finance for the first agreement. Based on what I've seen, I think VWFS would likely have viewed the new finance as being affordable if it had completed proportionate checks.

#### *the second agreement – June 2022*

I agree that VWFS ought to have carried out better checks for this agreement as well. I've seen that by this point Mrs P owed around £30,000 in unsecured credit, including the amount owing on her existing hire purchase agreement with VWFS. The credit check again showed some missed payments but no recent defaults or other adverse credit file markings.

The bank statements in the run-up to this agreement show her monthly income had increased by around a third, although her living costs had also increased significantly. After allowing for these alongside her credit commitments, though, it looked as if Mrs P would be left with around £1,300-£1,400 in disposable income each month. She was receiving additional income by this time which I agree was sufficiently regular to be taken into consideration. So again, the new agreement, albeit now higher, looked to be affordable.

Mrs P has suggested that her monthly outgoings were higher and so she owed more. I've seen she was taking out short-term borrowing from time to time, which tends to suggest there at times she was financially stretched. But I've also seen that Mrs P had elected to buy a more expensive car, so I would expect she intended to calibrate her spending to accommodate it. It may well be she'd have to re-organise her finances to accommodate the new agreement. On paper, though, the new agreement looked likely to be affordable.

Mrs P says she was about to change her job, but VWFS didn't ask questions about this. It was open to her to let VWFS know about this at the time of her application if she wished to. I see that on her application she confirmed that she knew of no forthcoming changes to her financial circumstances. Mrs P suggests she didn't have the opportunity to comment on this as her application was completed by the dealership, but she would have been able to consider it before signing it.

For these reasons, I think that even if VWFS had carried out better checks, it still wouldn't have been acting unfairly by approving the finance application.

Finally, I've seen that VWFS provided some help and support to Mrs P when she changed jobs in 2022 and built up some arrears. I think that assistance was fair in the circumstances. I've seen nothing else to suggest that VWFS fell short in the way it supported Mrs P during these two agreements.

I've considered whether the relationship between Mrs P and VWFS might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think VWFS lent irresponsibly to Mrs P or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 16 February 2026.

Michael Goldberg  
**Ombudsman**