

The complaint

Mrs C complains CA AUTO FINANCE UK LTD (CA Auto) irresponsibly lent because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable and sustainable for her.

What happened

Mrs C entered into a hire purchase agreement with CA Auto on 28 October 2022 in order to acquire a used car. The cash price of the car was £14,995 and Mrs C paid a cash deposit of £1,000. Mrs C was to pay 59 payments of £324.04 and a final payment of £723.04. The total amount payable was £20,841.40.

Mrs C complained to CA Auto about the lending decision on 13 June 2025. She said the payments were unaffordable and she only received universal credit which forced her into her overdraft. This affected her ability to pay for essentials like food and water for her five children. She said the financial strain and pressure of the agreement worsened her anxiety and depression which affected her mental health. She said further distress was added because she was under coercive pressure to enter into the agreement as her ex-partner took her old car. She also said there were missing documents, and she couldn't fully understand the agreement.

Mrs C has also complained about commission. However, this is being dealt with separately and is not the subject of my decision. So, I won't be commenting on this further.

CA Auto responded to the complaint and said the agreement was explained to Mrs C including the main consequences of not paying. It didn't uphold the complaint because it said based on the information available, it seemed Mrs C could afford the finance.

Mrs C remained unhappy and asked our service to look into things. Our Investigator considered the complaint and explained why he felt the checks completed weren't reasonable and proportionate. However, he went on to explain why he felt such checks were likely to have shown the agreement was affordable and sustainable. So, he didn't think the complaint should be upheld.

Mrs C didn't accept our Investigator's findings. In summary, she said:

- When she entered into the agreement, it was the hardest time of her life. She was experiencing domestic violence and was still living with her ex-partner at the time. She said she was at the top of the emergency council list for rehousing, her children's school was four miles away, she had no furniture and no money beyond universal credit. She panicked to keep her children safe and couldn't risk losing them if she couldn't acquire a car.
- Our Investigator said she had £541 spare, but this wasn't true. She said this was from when she shared bills with her ex-partner and it didn't include rent or council tax. Once she moved, she had the full costs of rent, council tax and utilities plus money to furnish from nothing. She said her overdraft reached £1,800 in five months.

- Her doctor's letter (from prior to the lending) confirmed the financial and domestic abuse she was experiencing, as well as her anxiety and depression. So, it shows how vulnerable she was. She said she was still in her ex-partner's company during the divorce and was still scared.
- She said the self-employed label and income was wrong at the time of the application. She wasn't thinking straight and just signed.
- The reliance on her electronic signature overlooks her panicked, vulnerable state which impaired her ability to understand the agreement.

As Mrs C didn't agree, the complaint has been passed to me to decide.

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.

Our approach to irresponsible and unaffordable lending complaints is set out on our website. In summary, there are some key questions I need to ask to decide what's fair and reasonable. These include:

1. Did CA Auto complete reasonable and proportionate checks to satisfy itself Mrs C was in a position to sustainably afford the repayments?
 - If so, did it make a fair lending decision?
 - If not, what would reasonable and proportionate checks have shown?
2. Did CA Auto treat Mrs C unfairly or unreasonably in some other way?

It's not about CA Auto assessing the likelihood of being repaid, but it had to consider the impact of the repayments on Mrs C. There is no set list of checks it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did CA Auto complete reasonable and proportionate checks to satisfy itself Mrs C was in a position to sustainably afford the repayments?

I've reviewed a copy of the application. I can see Mrs C declared she was married, a tenant and self-employed as a support worker. She declared a total gross annual income of £21,504. CA Auto confirmed this was verified by current account turnover (CATO) with an independent credit reference agency (CRA). I appreciate Mrs C has said she was only receiving universal credit and she panicked at the time of the application. However, from the information CA Auto had and as it verified the declared income, I don't think it had any reason to question whether this was what she was actually receiving at the time.

CA Auto also completed a credit search. I can see it showed she had a total of five active accounts which included a loan and other accounts. She had a total current credit balance of £1,611 and CA Auto calculated her monthly payments as around £30. She had no missed payments or arrears within the 24 months leading up to the agreement, and no other adverse information (such as defaults or county court judgments). CA Auto then used information from a CRA to estimate Mrs C's disposable income as £1,197. It determined this was sufficient to demonstrate the agreement was affordable and sustainable for her.

Whilst there wasn't anything which showed Mrs C was struggling to meet her existing commitments, from what I've seen of the checks, I can't conclude they went far enough. I

say this because I think in the circumstances CA Auto ought to have asked Mrs C about her other specific non-discretionary expenditure (in other words her essential spend). I've thought about the circumstances of the lending including Mrs C's declared income and the size and duration of the agreement, including the total amount payable and the amount of the monthly repayments. Having done so, I don't think CA Auto did enough to ensure the lending was affordable and sustainable for Mrs C and it should have asked her about her specific essential spend at the time.

Would reasonable and proportionate checks likely have shown Mrs C was in a position to sustainably afford the repayments?

Whilst I don't think the checks went far enough, it doesn't mean the complaint should automatically be upheld. I must go on to consider what reasonable and proportionate checks were likely to have shown at the time. To do this, I've considered bank statements which cover the three-month period leading up to the lending decision. I don't think CA Auto needed to go as far as to obtain bank statements in order to have completed appropriate checks. But I'm satisfied the statements do give a clear indication of what was likely to have been discovered had reasonable and proportionate checks been carried out.

Mrs C has told us at the time of entering the agreement she was experiencing domestic abuse and was waiting to be rehoused. She's provided evidence from her doctor to confirm this. I understand she was living at the same house as her ex-partner when she entered into the agreement. Mrs C said she split the bills as most were in her ex-partner's name, but she did the food shopping and paid for car insurance, fuel and her phone contract.

I appreciate what Mrs C has told us about her circumstances at the time. I must think about what was likely to have been discovered by CA Auto about her essential spend. She has told us she really needed the car, and I think it is with this in mind she would have presented her circumstances. I'm also mindful on the application she declared that she was married so it wouldn't be unreasonable for CA Auto to understand some commitments might be handled jointly.

Having considered the statements, I'm satisfied it's likely had Mrs C been asked about her non-discretionary expenditure at the time then it would have seemed she would have sufficient disposable income to be able to sustainably afford the payments. This is because it was likely to have seemed she had sufficient income to cover her existing commitments, her essential spend, the new repayments and she'd have a reasonable amount of disposable income remaining.

I appreciate Mrs C may not feel this represents her circumstances and she has explained her expenses greatly increased once she moved out of the matrimonial home. I have no doubt this was the case. However, as explained, I must consider what I think was likely to have been discovered by CA Auto at the time and what was reasonably likely to have been disclosed. I'm also mindful of what she has told us about her desperate need to get a car, and I'm satisfied it is with this in mind that she would have set out her circumstances.

Having reviewed the other information CA Auto had about Mrs C at the time, including how she was managing her existing credit, I don't think it had any other reason to conclude the lending might be unaffordable or unsustainable for Mrs C. She seemed to be managing her existing credit well and didn't seem overindebted. Overall, I'm satisfied reasonable and proportionate checks were likely to have shown the agreement was affordable and sustainable at the time. I appreciate Mrs C will be disappointed by my conclusion here, but this is based on what I think was more likely than not to have been discovered by CA Auto. Therefore, I can't say CA Auto did anything wrong in lending to Mrs C at the time.

Did CA Auto treat Mrs C unfairly or unreasonably in some other way?

I've also thought about whether there was some other reason CA Auto shouldn't have lent to Mrs C. In testimony to our service, Mrs C explained she told the dealer (who arranged the finance) that she needed a new car because her ex-partner had taken her old one. She said this happened during her visit to the dealership. She said she was left without transport and under pressure to quickly secure a new car which influenced her decision to enter the agreement. Therefore, she says the dealer knew she was in a vulnerable position because her children's school was four miles away and she also needed to get to college.

Thinking about the evidence I have, I'm unable to conclude CA Auto ought to have been aware it shouldn't have lent to Mrs C in the circumstances. Whilst I appreciate what she has told us about her ex-partner taking her car, I don't think this meant CA Auto shouldn't have entered into the agreement with her. It's not clear whether the dealer passed this information on. But, in any event, it seems more likely that CA Auto would have considered this as an explanation as to why she needed a car. Although I appreciate what she has told us about the pressure she felt, I don't think it's sufficient to have caused concern she might have been coerced into entering the agreement. She has also confirmed she really needed the car at the time, and I think CA Auto are likely to have reasonably concluded it was what she wanted. There isn't any other reason for me to conclude CA Auto should have realised it wouldn't be right to lend to her.

Mrs C also said she wasn't provided with documents relating to the agreement. Looking at the information I have, I can see she electronically signed to confirm she'd had an explanation of the key features and that she'd had time to consider pre-contract information. I also think had the agreement been unclear in any way or had she not received important documents, Mrs C would have raised concerns much sooner than she has and particularly when she started making repayments. She has explained reliance on an electronic signature doesn't reflect her vulnerable state at the time. Looking at the evidence I have, I don't think there is anything which ought to have suggested to CA Auto that Mrs C might not reasonably understand the agreement she was entering into.

I've also considered whether the relationship 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 CA Auto lent irresponsibly to Mrs C or otherwise treated her 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.

Mrs C has now made CA Auto aware of the difficulties she's experiencing. I'd remind it of its obligation to treat her with reasonable forbearance and due consideration going forward.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 25 February 2026.

Laura Dean
Ombudsman