

The complaint

Ms F complains that Volkswagen Financial Services (UK) Limited (VWFS) failed to conduct suitable affordability checks prior to lending to her.

Ms F is represented in this complaint by a professional representative but, for ease, I'll refer to Ms F directly throughout my decision.

What happened

In March 2019, Ms F acquired a used car through a Hire Purchase Agreement (HPA) with VWFS. The cash price of the car was around £26,000. Ms F paid a net deposit of £1,006.56, with the remaining £25,053.34 provided as credit through the agreement. I'll refer to this agreement as HPA1 going forward.

HPA1 required Ms F to make 48 monthly repayments of £408.96, followed by a final payment of £10,687.50 48 months after the date of the first repayment.

In May 2021, Ms F settled HPA1, acquiring another used car through a new HPA with VWFS. For ease I'll refer to this agreement as HPA2.

On this occasion the cash price of the car was around £25,500 with Ms F paying a cash deposit of £1,500 and an amount of £23,920.21 being provided as credit through the agreement. Ms F settled HPA2 in September 2023 after selling the car privately.

In May 2024, Ms F complained to VWFS about both HPA1 and HPA2 saying they'd failed to conduct suitable affordability checks prior to accepting her for credit. She said that had VWFS completed suitable checks, it would have resulted in her applications being declined.

VWFS sent Ms F their final response letter addressing HPA2 in June 2025, but they didn't uphold her complaint. VWFS said Ms F was in secure employment and was a private tenant at the time, her credit was well paid and managed responsibly and there were no signs of financial stress. They said based upon the information provided and the use of an indicative income when completing an affordability check, it was reasonable for them to rely on the information to assess her affordability.

Ms F remained unhappy, so she asked the Financial Ombudsman Service to look into her complaint.

One of our Investigator's looked into things and said while she didn't agree VWFS had completed proportionate checks, she thought that if they had done, they'd likely have found the repayments appeared affordable for Ms F. As such, our Investigator didn't think VWFS had acted unfairly by approving HPA2 for her.

Ms F disagreed, saying her financial position at the time clearly showed she was financially vulnerable and reasonable and proportionate checks would have highlighted her dependence on loans and reliance on short-term credit. She also questioned if HPA1 had been considered as it appeared to have been missed by both VWFS and our Investigator.

Our Investigator's said her opinion regarding HPA2 remained unchanged because based on the information she could see on Ms F's bank account statements, she thought had VWFS obtained further information, it's likely they'd have concluded the finance was affordable.

VWFS subsequently looked into Ms F's complaint about HPA1 but were satisfied the affordability checks they carried out were adequate, so they didn't think they'd done anything wrong here either.

Our Investigator also looked into things in relation to HPA1 but much the same as her opinion on HPA2, while she didn't agree VWFS had completed proportionate checks, she thought that if they had done, they'd have been unlikely to have found anything that highlighted the finance was unaffordable, so she didn't uphold the complaint.

Ms F remained unhappy with our Investigator's opinion on both HPA1 and HPA2. Because no agreement could be reached, this complaint has been passed to me to decide.

I sent both Ms F and VWFS my provisional decision on 15 September 2025. I explained I'd reached a different outcome with regard to HPA1 to that of our Investigator. In my provisional decision I said:

'First, I'm aware I've summarised this complaint in less detail in parts than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, especially in relation to Ms F's circumstances at the time of each lending decision, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to repeat or comment on every detail here, to be able to reach what I think is the right outcome that's reasonable in the circumstances of this complaint.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Ms F's complaint. VWFS needed to ensure they didn't lend irresponsibly which in practice, means they needed to carry out proportionate checks to be able to understand whether any lending was affordable and sustainable for her before agreeing to provide the finance.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like VWFS to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions for each lending decision:

- 1) *Did VWFS complete reasonable and proportionate checks to satisfy themselves Ms F would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?*
 - *If they did, was their decision to lend to Ms F fair?*
 - *If they didn't, would reasonable and proportionate checks have shown that Ms F could sustainably repay the borrowing?*
- 2) *Did VWFS act unfairly or unreasonably in some other way?*

Did VWFS complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

HPA1:

Here, the total amount repayable under the agreement was around £31,300, with Ms F committing to make 48 monthly repayments of £408.96 followed by a final payment of £10,687.50 payable 48 months after the date of her first repayment. This was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see VWFS to have completed a thorough affordability check.

Ms F told VWFS she was employed full-time and had been in the role for ten years at the time. VWFS also recorded Ms F's residential status as being a 'Tenant Controlled' paying nothing towards rent.

VWFS then completed a credit file check with a credit reference agency (CRA) and used all the above information alongside an indicative income, also obtained from the CRA, to also make their credit worthiness decision.

The credit report data I've seen VWFS obtained showed them Ms F had minimal existing or historic credit but that the accounts she did have were being managed well with no evidence of late payments, defaults or County Court Judgements (CCJs). So, while I don't think there was much to give VWFS confidence of Ms F's ability to sustainably repay a sizable finance agreement such as the one they were looking to agree, I also can't say there was anything to give them concern about her financial history.

The indicative income VWFS obtained from the CRA estimated Ms F to be earning a net monthly income of £1,768.

CONC says a firm shouldn't generally rely on a customer's own declaration of their income. In this case, I can't see VWFS even asked Ms F what she was earning, but they certainly didn't take steps to verify her actual income. Given both the term of HPA1 and Ms F's monthly commitment towards it, I think they should've taken steps to verify what she actually earned.

In addition, aside from Ms F declaring she paid nothing towards rent at the time, I can't be sure what figures, if any, VWFS used to estimate Ms F's expenditure or what they calculated it likely to be. I think they ought to have taken steps to better understand Ms F's essential expenditure.

It follows, for the reasons I've explained, I can't say VWFS's checks were proportionate when agreeing HPA1 for Ms F.

HPA2:

Here, the total amount repayable under the agreement was around £31,600, with Ms F committing to make 48 monthly repayments of £406.76 followed by a final payment of £10,803.87 payable 48 months after the date of her first repayment. Again this was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see VWFS to have completed a thorough affordability check.

Ms F told VWFS she remained employed full-time with the same employer and had now been in the role for 12 years and seven months. VWFS also recorded Ms F's residential status as being a 'Private Tenant' with her declaring she paid £900 rent each month.

VWFS then completed a credit file check with a CRA and used all the above information alongside an indicative income, also obtained from the CRA, to also make their credit worthiness decision.

The credit report data I've seen VWFS obtained showed them Ms F looked to have been managing her existing and historic credit well, with no evidence of late payments, defaults or CCJs. VWFS also had the knowledge of Ms F's repayment history towards HPA1, So I also can't say there was anything to give them concern about her financial history.

The indicative income VWFS obtained from the CRA estimated Ms F to be earning a net monthly income of £1,764.

As before, in this case, I can't see VWFS even asked Ms F what she was earning, but they certainly didn't take steps to verify her actual income. Given both the term of HPA2 and her monthly commitment towards it, I think they should've taken steps to verify what Ms F actually earned.

In addition, aside from Ms F declaring what she paid towards rent at the time, I can't be sure what figures, if any, VWFS used to estimate Ms F's expenditure or what they calculated it likely to be. I think they ought to have taken steps to better understand Ms F's essential expenditure.

It follows, for the reasons I've explained, I can't say VWFS's checks were proportionate when agreeing HPA2 for Ms F.

But as I've explained above, that doesn't mean I can automatically uphold Ms F's complaint about either HPA1 or HPA2 – I now need to consider whether VWFS would've likely been able to fairly decide to lend to her if they had done proportionate checks.

If VWFS had done proportionate checks, what would they have found?

HPA1:

Had VWFS independently verified Ms F's income at the time of them agreeing HPA1, I'm satisfied they'd have found her net income from employment to be around £586 a month. I've taken this figure from the income consistently received into Ms F's bank account statements over the three months prior to the application. I think VWFS would've also found Ms F to have been in receipt of a benefit payment of around £83 each month.

Ms F also received a large volume of transfers into her account which she has told our service were amounts lent to her by family members which she would rarely be in a position to pay back. I'm not saying VWFS specifically needed to obtain bank statements in order to verify Ms F's income, but had they done, many of these payments were marked as 'Loan' by the sender. I'm also not persuaded these transfers would've been declared as 'income' had VWFS asked Ms F, nor that VWFS would have verified them as such, any other way.

So, I think it would have been reasonable for VWFS to have confidently taken a figure of around £670 a month as Ms F's income when proceeding with the application.

As I've not seen any evidence of VWFS's calculation of Ms F's expenditure or disposable income, I've looked at the same bank account statements, three months prior to the HPA.

Again, I'm not saying VWFS specifically needed to obtain bank statements as part of their credit worthiness checks. But in the absence of other information, I think bank statements provide me a good indication of Ms F's expenditure at the time the lending decision was made.

I'm satisfied Ms F's bank account statements show her average monthly expenditure towards essential spending was around £245. Approximately each month on average this consisted of £92 towards groceries, £63 towards car and travel related expenses, £68 towards mobile telephone contracts and £22 towards television license or council related payments.

This would have left Ms F with around £425 per month from which to make the repayments due under the agreement of around £408. So, I'm satisfied had VWFS completed reasonable and proportionate checks, they couldn't have fairly decided the agreement was affordable for Ms F. I intend to uphold Ms F's complaint about HPA1.

I'll explain what I think VWFS need to do to put things right later in this provisional decision.

But first I'll address what I think VWFS would have done had they completed proportionate checks when deciding to agree HPA2.

HPA2:

Just because I don't think VWFS ought to have agreed HPA1 for Ms F, that doesn't mean I automatically think they shouldn't have agreed HPA2 either. Over two years past between these applications and it is only fair consumers are considered on their circumstances at the time of each specific application.

Had VWFS independently verified Ms F's income at the time of them agreeing HPA2, I'm satisfied they'd have found her net income from employment to be around £618 a month. I've taken this figure from the income consistently received into Ms F's bank account statements over three full months just prior to the application.

I think VWFS would've also found Ms F to have been consistently in receipt of benefit payments totalling around £1,497 each month and a payment of £250 a month towards child maintenance.

I acknowledge Ms F has said the child maintenance she received was unreliable and varied in amount. But I have to consider in hindsight, what I think VWFS most likely would've found out had they taken steps to verify Ms F's income. And from the statements I've seen, she received £250 per month consistently throughout that period.

As before, I've not included any amounts transferred to her from who she has explained are family members as income. Again, these were not consistent and many of them were marked as 'Loan'.

So, I think it would have been reasonable for VWFS to have confidently taken a figure of around £2,365 a month as Ms F's income when proceeding with the application.

As I've not seen any evidence of VWFS's calculation of Ms F's expenditure or disposable income, I've looked at the same three months of bank account statements.

Again, I'm not saying VWFS specifically needed to obtain bank statements as part of their credit worthiness checks. But in the absence of other information, I think bank statements provide me a good indication of Ms F's expenditure at the time the lending decision was

made.

I'm satisfied Ms F's bank account statements show her average monthly expenditure towards essential spending, in addition to the £900 a month she declared she was paying towards rent, to have been around £692. Approximately each month on average this consisted of £308 towards groceries, £64 towards utility bills, £187 towards car and travel related expenses, £62 towards mobile telephone contracts, and £61 towards television license, television subscriptions or council related payments. So, in total I think VWFS could have reasonably concluded Ms F's monthly essential expenditure to likely have totalled around £1592.

This would have left Ms F with around £773 per month from which to make the repayments due under the agreement of around £406, leaving her with around £367 disposable income left each month.

I'm aware Ms F has referred to her reliance on Buy Now Pay Later services and a new finance agreement with another lender when talking about the financial burden she had upon her. I've not included the repayments I've seen towards these lenders. I'll explain why.

First, as these short-term agreements are generally for retail purchases, as some of the transactions show, they are not exclusively for essential spending from which the repayments are then due towards. Secondly, the terms of the finance agreements are generally short-term and often people will spend to the limits of their means but ultimately many of these purchases can be stopped should the disposable income no longer be available to repay them.

So, in summary, I'm satisfied had VWFS completed reasonable and proportionate checks, they could've fairly decided the agreement was both affordable and sustainable for Ms F. I don't intend to uphold her complaint about HPA2.

Did VWFS act unfairly or unreasonably in some other way?

HPA1:

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, I'm satisfied the redress I've directed below results in fair compensation for Ms F in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

HPA2:

I've also considered whether VWFS acted unfairly or unreasonably in some other way given what Ms F has complained about, including whether its relationship with Ms F might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think VWFS lent irresponsibly to Ms F 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.

VWFS disagreed with my provisional decision about HPA1, questioning Ms F's employment status at the time asking if the significant payments each month into her bank account indicated she was carrying out alternative employment in addition to that set out in my provisional decision. VWFS said Ms F should provide a P60 for the tax year in question.

VWFS also highlighted the significant level of discretionary spend seen going through Ms F's bank account, asked for evidence and clarity as to Ms F's residential status at the time of the application and said the lack of household bills paid through Ms F's bank account suggested she had use of another account at the time.

Finally, VWFS said transfers could be seen crediting Ms F's bank account from her savings account, adding money had to have been paid into the savings account from somewhere, so asked Ms F to clarify this and provide statements for her savings account.

Regardless, VWFS remained of the view that in light of the significant sums of money being paid into Ms F's account in the months leading up to the application, their use of the indicative modelled income estimation provided by the CRA wasn't unreasonable. VWFS maintained the agreement was affordable for Ms F with her having maintained the repayments with no sign of financial difficulty.

Ms F responded to say she accepted my provisional decision in respect of both HPA's.

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.

As both parties accepted my provisional decision in respect of HPA2, I see no reason to comment on this further. I don't uphold Ms F's complaint about HPA2.

Regarding HPA1, while I know this will come as a disappointment to VWFS, I've seen no reason to reach a different outcome to the one I reached previously. I'll explain why.

But first, I think it's important to say that my role here is to resolve this dispute quickly and informally, reaching a decision which I consider to be both fair and reasonable. It's also up to me to decide what information and evidence I require to reach that decision. It's not my role to complete a forensic investigation into Ms F's finances.

As I've set out previously, I'm satisfied I don't need to comment on or address every detail here, to be able to reach what I think is the right outcome, reasonable in the circumstances of this complaint. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

I understand VWFS remain of the opinion their checks prior to the lending were proportionate and the lending decision they went on to make was affordable for Ms F, but I disagree.

I explained in my provisional decision why I don't consider the checks completed to have been proportionate. I think VWFS needed to have done more to verify what Ms F actually earned and to understand her essential expenditure. I've not been provided anything to persuade me differently, so my position hasn't changed.

I've also already set out what I think, on balance, VWFS would likely have found if they had done proportionate checks.

VWFS have questioned the employment details Ms F provided them, in that she told them she was employed full-time. This, together with the amounts crediting Ms F's bank account each month, have led them to question if she was also in additional employment, and to ask for her to provide a P60 for the tax year in question.

Ms F has confirmed the income received into her bank account was paid from her sole employer at the time. She's also confirmed she had no further bank accounts has been unable to obtain a P60 due to the time that's passed since the lending decision.

I'm satisfied Ms F only held the current account she has provided statements for. Her credit file supports her testimony – no other current accounts can be seen. There are no transfers to or from this account to another current account in her name and the transfers crediting her account from her savings account are cancelled out by debits to that same account each month. Ms F's current account clearly shows one salary being credited into it, averaging £586 each month, over the three months prior to the application.

VWFS have asked for clarification as to what the significant amounts paid into her account relate to. I'm satisfied Ms F has already provided explanations and that the information is also clear to see within the bank account statements provided.

Ms F has explained she would often be lent amounts by her family members, loans she says she was rarely in a position to pay back. I can also see she often received credits from gambling companies. So, with regard to what I think VWFS would have found had they completed proportionate checks into Ms F's income, my position remains as set out in my provisional decision.

VWFS also remain unhappy Ms F has failed to provide any evidence of essential expenditure. And they've highlighted a significant amount of non-essential expenditure on her account and asked for clarity about her residential status at the time.

When calculating Ms F's essential expenditure and ability to afford the loan, I've not included any payment towards rent or household utilities. Even if VWFS were to have included any such expenditure for Ms F at the time, it would have only worsened her financial position.

Regarding the non-essential expenditure VWFS highlight, the levels of such expenditure may show signs that Ms F wasn't managing her finances well, but in any case, I've not included this spend when calculating the affordability of the loan for her.

Had VWFS done the level of checks I consider would have been proportionate, including the benefit payment Ms F was in receipt of, I think they would have found her to have been in receipt of a regular income of on average £670 a month. And I think based on the essential expenditure that could be seen on Ms F's statements, they'd have found she had an average monthly expenditure of £245.

So put simply, VWFS had the opportunity to look deeper into Ms F's finances at the time. They didn't. And I think had they done, proportionate checks would have shown Ms F would have been left with around £425 a month from which to make repayments towards the agreement of around £408. It follows, I'm satisfied based on what they likely would've found, they couldn't have fairly decided the agreement was affordable for Ms F and I uphold Ms F's complaint about HPA1.

Putting things right

For the reasons I've explained, I don't think VWFS should have agreed HPA1 for Ms F, so, I don't think it's fair for them to benefit from the interest and charges under the agreement. Ms F should therefore only have to pay the original cash price of the car, being £26,059.90. Anything VWFS received towards the repayment of the agreement in excess of that amount should be returned to Ms F as an overpayment.

To settle Ms F's complaint VWFS should do the following:

- Refund any payments received towards the agreement in excess of £26,059.90, representing the original cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Ms F's credit file regarding the agreement.

*HM Revenue & Customs requires VWFS to take off tax from this interest. VWFS must give Ms F a certificate showing how much tax they've taken off if she asks for one.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 12 December 2025.

Sean Pyke-Milne
Ombudsman