

The complaint

Mr P has complained that Go Car Credit Limited (Go Car) unfairly provided him with credit for a vehicle.

What happened

In August 2019, Mr P entered into a finance agreement with Go Car for the purchase of a car as shown below. He fell into arrears with the account, but Go Car agreed payment arrangements and Mr P was able to settle the agreement in 2023.

| Date | Amount of credit | Term | Monthly payments | Total repayable |
|----------------|------------------|-----------|------------------|-----------------|
| 01 August 2019 | £7,935.00 | 48 months | £297.78 | £14,393.00 |

In August 2024, Mr P complained to Go Car with the help of a professional representative. In the complaint, Mr P said he didn't think Go Car had lent responsibly to him. He felt it had failed to undertake a reasonable assessment of his creditworthiness at the time of the lending. He's said had Go Car completed the appropriate checks it would have found the lending was unsuitable for him and that this led to an unfair relationship.

Go Car looked into Mr P's complaint and issued a final response letter explaining it believed it had acted fairly when completing its checks. It said it had confirmed the agreement was affordable by verifying Mr P's income, asking him about his expenditure, and checking the information the credit reference agencies held about him. Go Car has said based on the information it found, it believes its decision to lend was fair.

Mr P didn't accept Go Car's response, so he referred his complaint to our service with the help of his representative. One of our investigators looked into it, and based on the evidence available, our investigator said she didn't think Go Car's decision to lend was fair as it didn't leave Mr P with enough disposable income and he was already demonstrating that he couldn't manage the credit he already had.

Go Car didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me for a 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.

Having done so I issued a provisional decision saying:

"I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- *Did Go Car carry out reasonable and proportionate checks to satisfy itself that Mr P*

- *was able to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Go Car make a fair lending decision?*
- *Did Go Car act unfairly or unreasonably towards Mr P in some other way?*

Go Car had to carry out reasonable and proportionate checks to satisfy itself that Mr P would be able to repay the credit sustainably. Go Car needed to assess the likelihood of Mr P being able to repay the credit, as well as considering the impact of the repayments on him. There is no set list of checks that 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, the cost of the credit and the customers circumstances.

Go Car has explained that it carried out a credit search to get an understanding of Mr P's situation before it decided to lend to him. It's provided a copy of the credit search it undertook, and this shows that Mr P was behind with payments on two accounts. It appears that for three months Mr P had been using an unarranged overdraft and owed around £70 to this provider. He was also two payments behind on a secured loan. Although the payments to this were low, it suggests that Mr P was unable to manage either this account or his current account well. In addition to this it's apparent that Mr P had opened around 11 credit accounts in the last year with four of those being opened in the three months prior to the lending by Go Car.

Go Car has shown Mr P told it his monthly income was around £1,970 which it verified. I can see that Go Car also gathered some information from Mr P about his expenditure. It said this demonstrated that he had around £610 disposable income a month and that this was sufficient to meet the repayments on the agreement. I've considered the information Go Car gathered about Mr P's expenditure, but I don't think this was a full picture. I say this because it only allowed £65 a month for food, it didn't account for any utility bills including council tax, water, gas, or electric bills. I also can't see that it accounted for all of Mr P's debt repayments. On the expenditure information Go Car says it gathered, it shows a figure of £267 for credit cards and other credit commitments. However, looking at the credit file information Go Car provided, it appears this figure was around £345 – not including the £70 Mr P owed on his current account.

CONC 5.2A.17 (2) says that a business must take reasonable steps to determine the amount, or make a reasonable estimate, of a customer's current non-discretionary expenditure.

It follows then that I think it would have been reasonable for Go Car to get a better understanding of Mr P's financial situation, particularly his expenditure (including utility costs and all committed expenditure on credit) before lending to him. On the information provided by Go Car I have identified the following expenditure.

| | |
|---------------|----------------------------------|
| <i>£209</i> | <i>Hire Purchase agreements</i> |
| <i>£345</i> | <i>Other credit*</i> |
| <i>£70</i> | <i>Unarranged overdraft</i> |
| <i>£820</i> | <i>Essential expenditure**</i> |
| <i>£297</i> | <i>New Agreement with Go Car</i> |
| <i>£1,741</i> | <i>Total</i> |

** Calculated using information taken from the credit file - not including the amount owing on the current account.*

*** Calculated from the expenditure form Go Car provided. I have excluded the £65 leisure costs. This figure also doesn't include utilities and council tax and only includes £65 for food.*

On the information Go Car has provided it appears that Mr P would be left with a disposable income of around £230 a month after paying for the new agreement. But I can't see this would cover reasonable food costs, payments to utilities, or council tax, and leave Mr P with a reasonable disposable income. If these had been taken into account, I think it would have, more likely than not, demonstrated that taking out the new agreement would leave Mr P with very little or no disposable income.

Go Car has argued that the recent adverse information recorded on Mr P's credit file was for low amounts and so it didn't agree that this should stop it from lending. It also said that Mr P would have shared living costs with his partner, and that he'd previously maintained an agreement it had administered well. It explained this agreement was for a higher monthly repayment and was settled in 2016.

I've carefully considered what Go Car has said but I haven't seen any evidence that Mr P wasn't liable to pay for or contribute towards utility costs and council tax. So, I don't think it's reasonable to assume he had no liability for these. I also don't think it's reasonable to rely on information from an agreement that ended in 2016 when considering an application for lending in 2019. This information is historic and not an accurate reflection of his circumstances at the time of the new application. Whilst I appreciate the payments Mr P was behind on didn't amount to large sums, I think the adverse information alongside the recent opening of new lines of credit, indicated that Mr P was struggling to manage his finances.

Given this, I don't think Go Car took reasonable steps to determine or make a reasonable estimate of Mr P's expenditure using the information available to it. Had it done so I think it would have concluded the lending was likely unaffordable.

Based on the information available, I think Go Car had enough information from the checks it completed to realise Mr P was unlikely to be able to sustainably repay what he was being lent. This means I don't think Go Car made a fair decision to lend to Mr P.

Putting things right

As I don't think Go Car ought to have approved the lending, I don't think it's fair for it to be able to benefit from any interest or charges under the agreement. Mr P should therefore only have to pay the original cash price of the car, being £8,035.00. Anything Mr P has paid in excess of that amount should be refunded as an overpayment.

To settle Mr P's complaint, Go Car should:

- Refund any payments Mr P has made in excess of £8,035, 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 Mr P's credit file regarding the agreement.*

**If Go Car considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr P how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate."*

Neither party responded to my provisional decision by the deadline given. Given this, I haven't seen anything that persuades me to depart from the conclusions I reached in my provisional decision.

My final decision

My final decision is that I uphold Mr P's complaint and direct Go Car Credit Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 January 2026.

Charlotte Roberts
Ombudsman