

## **Complaint**

Miss S complains that Volkswagen Financial Services UK Limited (“VWFS”) unfairly entered into a hire-purchase agreement with her. She’s said the agreement was unaffordable and so she shouldn’t have been accepted for it.

Miss S has used a “representative” to make her complaint.

## **Background**

In January 2020, VWFS provided Miss S with finance for a brand-new car. The cash price of the vehicle was £29,241.28. Miss S paid a deposit of £2,801.00 and entered into a 50-month hire-purchase agreement with VWFS to cover the remaining £26,413.28.

The loan had interest, fees and total charges of £6,559.66 which was made up of interest of £6,541.35 and an option to purchase fee of £10. And the balance to be repaid of £30,171.94 (not including Miss S’ deposit) was due to be repaid in 48 monthly instalments of £378.53 followed by an optional final payment of £12,202.50 which Miss S had to pay if she wished to keep the car. Miss S settled the agreement in full in March 2023.

In May 2025, Miss S complained that the agreement was unaffordable. VWFS didn’t uphold the complaint. In its view, it was satisfied that Miss S could afford to make her repayments and it was therefore reasonable to lend. Miss S remained dissatisfied and referred her complaint to our service.

Miss S’ complaint was considered by one of our investigators. He didn’t think that VWFS had done anything wrong or treated Miss S unfairly. So he didn’t recommend that Miss S’ complaint should be upheld. The representative, on Miss S’ behalf, 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 Miss S’ complaint.

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

VWFS needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that VWFS needed to carry out proportionate checks to be able to understand whether Miss S could make her payments in a sustainable manner before agreeing to lend to her. And if the checks VWFS 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.

VWFS says it agreed to this application after it completed an income and expenditure assessment on Miss S. During this assessment, Miss S provided details of her employer and VWFS cross checked Miss S' income against the funds going into her main bank account each month. VWFS says it also carried out credit searches on Miss S which showed some well-maintained existing credit accounts with outstanding balances.

In its view when the amount reasonable repayments to the amount Miss S already owed, plus a reasonable amount for Miss S' living expenses were deducted from her monthly income the monthly repayments for this agreement were affordable. On the other hand, the representative says that Miss S shouldn't have been lent to. I've carefully considered what the parties have said.

The first thing for me to say is that VWFS hasn't provided a record of the results of its credit searches. However, I can't see anything to indicate that Miss S had any significant adverse information – such as county court judgments (CCJ) or defaulted accounts - recorded against her. VWFS hasn't provided anything to show that Miss S' income was verified. Bearing in mind the term of the agreement and the total amount payable here, this is information I would have expected it to have had.

As I can't see that VWFS had this information, I'm not persuaded that the checks it carried out before agreeing to lend to Miss S were proportionate. As VWFS didn't carry out sufficient checks, I've gone on to decide what I think it is more likely than not to have seen had it obtained further information from Miss S.

While I've looked at the bank statements Miss S has provided in order to do this, I've done this because I'm having to retrospectively determine what a proportionate check is likely to have looked like a number of years after this should have been done. And bank statements have all the information I now need to do this. However, I wish to make it clear that VWFS was not required to review Miss S' bank statements.

In any event, the bank statements provided do appear to show that when Miss S' committed regular living expenses and existing credit commitments are deducted from the funds going into her account (which broadly tallied with her declaration of income), there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due under this agreement. Indeed, it should be noted that Miss S' actions in not only making her payments on time but also settling the finance early also support this being the case.

I've noted that the representative has now carried out a line-by-line analysis of Miss S' bank statements and has reached the view that she didn't have sufficient funds left over to make her repayments. The first thing for me to say is that the representative's analysis has been carried out with the use of bank statements and this includes non-committed expenditure such as overpayments to credit card accounts and transfers to savings.

I also have to keep in mind that Miss S's most recent submissions are being made in support of a claim for compensation and any explanations Miss S would have provided at the time

are more likely to have been with a view to persuading VWFS to lend, rather than highlighting any unaffordability.

Therefore, I think that it is unlikely – and certainly less likely than not – that Miss S would have volunteered that she shouldn't have been lent to in the way she now argues, had VWFS asked or found out more about her regular living expenses. This is particularly as VWFS wasn't required to request bank statements from her in the first place and at Miss S £1,000.00 (of the total £2,801.00 deposit) was paid directly by Miss S.

So I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Miss S could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that VWFS would have declined to lend if it had found out the further information that I think it needed to here. As this is the case, I've not been persuaded that it was unfair for VWFS to lend to Miss S.

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

However, for the reasons I've explained, I don't think VWFS irresponsibly lent to Miss S or otherwise treated her unfairly in relation to this matter. And 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.

Overall and having carefully considered everything, while I've not been provided with enough to be satisfied that VWFS' checks went far enough, I'm not persuaded that VWFS doing more would have seen it decide against providing these funds, or entering into this agreement with Miss S. So I'm not upholding this complaint. I appreciate this will be disappointing for Miss S. But I hope she'll understand the reasons for my decision and at least consider that she's been listened to.

### **My final decision**

My final decision is that I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 2 March 2026.

Jeshen Narayanan  
**Ombudsman**