

Complaint

Mr D complains that CA Auto Finance UK LTD (then trading as Fiat Financial Services (“Fiat FS”)) unfairly entered into a hire-purchase agreement with him. He’s said the payments to this agreement were unaffordable and so he shouldn’t have been accepted for it.

Mr D has used a representative to make his complaint. For ease of reference, I’ll refer to Mr D throughout this provisional decision.

Background

In March 2022, Fiat FS provided Mr D with finance for a used car. The cash price of the vehicle was £26,150.00. Mr D paid a deposit of £10,000.00 and applied for finance to cover the remaining £16,150.00 he needed to complete his purchase. Fiat FS agreed to provide this finance through a hire-purchase agreement.

The hire-purchase agreement had total interest, fees and charges of £3,624.52 (made up of interest of £3,225.52 and an option to purchase fee of £399). The balance to be repaid of £19,774.52 (which does not include Mr D’s deposit) was due to be repaid in 48 monthly instalments of £199.99 followed by an optional final payment of £10,175.00 which Mr D had to make if he wished to keep the car at the end of the term.

Mr D’s complaint was subsequently considered by one of our investigators. He thought that proportionate checks would have shown Fiat FS that it shouldn’t have entered into this finance agreement with Mr D. So he thought that Mr D’s complaint should be upheld.

Fiat FS disagreed with our investigator and asked for an ombudsman to review the case.

My provisional decision of 12 January 2026

I issued a provisional decision – on 12 January 2026 - setting out why I wasn’t intending to uphold Mr D’s complaint.

In summary, I was satisfied that that proportionate checks wouldn’t have prevented Fiat FS from lending to Mr D. In these circumstances, I was of the view that it wasn’t unfair for Fiat FS to have lent to Mr D.

Fiat FS’ response to my provisional decision

Fiat FS didn’t respond to my provisional decision or provide any further information for me to consider ahead of my final decision.

Mr D’s response to my provisional decision

Mr D responded saying that he disagreed with my provisional decision as his expenditure already exceeded his monthly income. He says that the fact that he had sufficient funds in his account cannot be taken to conclude that the agreement was affordable for him.

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 Mr D's complaint.

Having carefully considered everything, included events since my provisional decision, I'm still not upholding Mr D's complaint. I'll explain why in a little more detail.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr D's complaint.

Fiat FS says it agreed to this application after it completed an income and expenditure assessment on Mr D. During this assessment, Mr D provided details of his income. Fiat FS says it also carried out credit searches on Mr D which showed up some existing credit that was being well maintained. Furthermore, Fiat FS says that Mr D would have had enough left over to meet his regular living costs once his payments to his creditors were deducted from his income.

On the other hand, Mr D's letter of complaint says that he couldn't have afforded the payments to this agreement and shouldn't have been provided with it.

I've thought about what Mr D and Fiat FS have said.

In the first instance, I've noted that the investigator concluded that Fiat FS didn't do enough to establish Mr D's income. It's fair to say that the guidance within the rules state that for the

purposes of considering a customer's income, it is not generally sufficient for a lender to rely solely on a statement of current income made by the customer without independent evidence. It appears to me that our investigator took this to mean that Fiat FS had to verify Mr D's income with information akin to payslips, tax returns, or bank statements. Indeed, I note that he went on to review Mr D's open banking information.

However, I don't interpret the regulator's guidance in the same way for two reasons. Firstly, the guidance refers to it being not generally sufficient to rely on a customer's declaration of income on its own. This is not the same as it never being sufficient for a lender to do this. So I do think that the regulator envisioned circumstances where it would be reasonable to rely solely on a customer's declaration.

Secondly and most importantly, the provision doesn't state that a customer's income needs to be verified. The guidance refers to a lender not relying on a customer's declaration on its own without independent evidence. And it subsequently goes on to provide a list of examples of independent evidence that could be sufficient should a lender obtain it. While I accept that this list is non-exhaustive, it's nonetheless fair to say that payslips, tax returns, or bank statements aren't directly listed as examples in this section of the guidance.

Furthermore, as I've explained earlier, it is for a lender to determine what checks it wishes to carry out. And mandating that a lender has to verify income by payslips, tax returns, or bank statements – irrespective of the circumstances – is not only inconsistent with this, it is also inconsistent with the concept of proportionality, which runs right through the regulator's rules.

As I've explained, what is directly referenced in regulator's list, is information provided by a credit reference agency. And in this case, Fiat FS did carry out a credit search which indicated that Mr D had been managing the credit that he had, including a mortgage, well. Furthermore, Mr D had a previous hire-purchase agreement with Fiat Financial which he'd made all of his payments on as and when they were due. The monthly payments for that agreement were only slightly lower than the monthly payments for this agreement.

Most importantly of all, the investigator also overlooked the fact that Mr D was paying a cash deposit of £10,000.00 as part of this agreement. This was more than the combined amount of all the monthly payments he was obliged to make¹ on this agreement. In my view, Mr D is unlikely to have been in such a position should he have not been in receipt of regular monthly credits.

As such, while I note that Mr D has said that Fiat FS should have requested payslips or bank statements, in order to ensure that the lending decision was made satisfactorily, I don't agree with this being the case here. In this case, I'm satisfied that Fiat FS had ample evidence to support it being likely that Mr D's declaration was accurate and Fiat FS was entitled to rely on it.

For the sake of completeness, I would also add that both Mr D and the investigator carried out an analysis of Mr D's open banking information and reached the view that he didn't have sufficient funds to make the monthly payments to this agreement. The first thing for me to say is that the investigator referred to this information as Mr D's bank statements. However, this open banking data does not have the same detail as bank statements. It doesn't clearly set out Mr D's income and expenditure.

In his response to my provisional decision, Mr D has said that while the open banking data provided a summary of the transactions, it did offer the option of looking at the data this was pulled from. Mr D has now provided this data. However, as this data wasn't provided

¹ Mr D wasn't obliged to make the optional final payment.

previously, I remain satisfied that the investigator's assessment wasn't based on bank statements.

I note that Mr D has reiterated that his monthly expenditure exceeded his income. However, this more detailed open banking data confirms that Mr D had significant cash funds available in his account (even when the cash deposit Mr D paid is discounted) at the end of each of the three months between December 2021 and March 2022. Mr D suggests that this is irrelevant. However, I disagree. It would be irrational for me to use the open banking data to conduct a retrospective income and expenditure assessment yet ignore the significant amount of funds in the account. This is especially in circumstances where the amount of funds in the account show that Mr D is unlikely to have had any difficulty making his payments.

Equally, while I accept that this is not in itself determinative, I do think that it's also worth noting that these monthly payments being affordable for Mr D does appear to be supported by his record of having made all of his monthly payments on time at the time he referred this complaint. And the copy of the credit report that he's supplied doesn't appear to show that this resulted in him missing payments to his other creditors either.

I am also mindful that Mr D has chosen to not comment on what my provisional decision said about information that his representative asked him to complete in advance of his complaint. In my provisional decision, I had noted that Mr D's representative asked him to complete document entitled '*Affordability & Creditworthiness Questionnaire: Motor Vehicle Finance*' before initially submitting this complaint to Fiat FS.

A copy of this document was included as part of Mr D's complaint submission to us. Having reviewed the document, I can see that there is a section of it entitled '*DURING THE TERM OF THE FINANCE AGREEMENT*'. Mr D was asked to answer a number of questions about what happened after he took out the agreement.

I note that Mr D answered No to both Question 11 which asked '*Did you struggle to make payments on time?*' and Question 12 '*Did you ever have to borrow funds from family, friends, or loan providers to pay for the finance?*'. Finally, in response to Question 15 which asked Mr D '*Do you believe your credit agreement was affordable/unaffordable?*' he answered affordable. In my view, Mr D's answers to his representative's questions support the argument that he was able to make the payments that he did without experiencing any significant adverse consequences.

Therefore, Mr D's answers to his representative's questionnaire, his repayment record and the open banking data all appear to support that the monthly payments to this hire purchase agreement, were as a matter of fact, affordable him. In these circumstances, I don't think that there is any reasonable basis for me to conclude that it was unfair for Fiat FS to have entered into this hire purchase agreement with Mr D. Mr D reiterating that his open banking transaction data indicates that he had a negative disposable income, which isn't supported by the rest of the evidence I've referred to, hasn't persuaded me to change my decision in this regard.

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

However, for the reasons I've explained, I don't think Fiat FS irresponsibly lent to Mr D or otherwise treated him 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 considered everything, including Mr D's response to my provisional decision, I'm satisfied that Fiat FS didn't do anything wrong when deciding to lend to Mr D - it seems to me that the monthly payments to this agreement were affordable for Mr D. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr D. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 12 January 2026, I'm not upholding Mr D's complaint.

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

Jeshen Narayanan
Ombudsman