

Complaint

Mr W complains that Carmoola Limited (trading as “Carmoola”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable given his circumstances at the time and so he shouldn’t have been lent to.

Background

In September 2023, Carmoola provided Mr W with finance for a used car. The purchase price of the car was £12,250.00. Mr W paid a deposit of £238 and entered into a hire-purchase agreement with Carmoola for the remaining £12,262.00 he required to complete his purchase.

The loan had interest, fees and charges of charges of £6,159.00 (made up of interest of £6,158.00 and an option to purchase fee of £1) and a 60-month term. This meant that the total amount to be repaid of £18,253.00 was due to be repaid in 59 monthly instalments of £307.00 followed by a final monthly instalment of £308.00.

Mr W’s complaint was considered by one of our investigators. He didn’t think that Carmoola hadn’t done anything wrong or treated Mr W unfairly. So he didn’t recommend that Mr W’s complaint should be upheld.

Mr W 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 Mr W’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr W’s complaint. I’ll explain why in a little more detail.

Carmoola needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Carmoola needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr W before providing it.

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.

Carmoola says it agreed to this application after Mr W provided details of his monthly income which it says it cross checked against open banking information that Mr W provided access to. Carmoola says it also carried out credit searches on Mr W which showed that Mr W didn't have any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) - recorded against him. It considered that Mr W's active credit accounts were being relatively well managed.

In Carmoola's view, when the amount due on Mr W's existing credit commitments plus an estimated amount for Mr W's living expenses, based on statistical data, were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr W says these payments were unaffordable for him and further checks would have shown this.

I've thought about what Mr W and Carmoola have said.

The first thing for me to say is that it's clear that Carmoola obtained a reasonable amount of information from Mr W before lending. Indeed, Carmoola didn't simply accept Mr W's declaration of his income at face value, it took steps to cross check the declaration against open banking information and this suggested that Mr W's declaration and change of employment situation was plausible.

I've also seen records of the information Carmoola obtained from Mr W about his income and what was on the credit search carried out. Furthermore, while Mr W may have been using an overdraft this doesn't mean that he shouldn't have been lent to, or that Mr W was experiencing difficulty. This is particularly bearing in mind that there was no significant adverse information recorded against him and there isn't a prohibition on lending to a prospective borrower using an arranged overdraft.

As there wasn't anything in the information that Carmoola gathered that was inconsistent or difficult to explain, I don't think that it was unreasonable for Carmoola to rely on what Mr W provided about his income and expenditure during his application. And as the information obtained showed that the monthly loan payments were affordable, I don't think that it was unreasonable for Carmoola to lend.

For the sake of completeness, I would also add that Mr W had the most knowledge about his true situation and nonetheless considered it a reasonable time purchase a car on finance. In these circumstances, I consider it unlikely – and certainly less likely than not – that Carmoola attempting to find out more from Mr W would have shown it that the payments to this agreement were unaffordable for him.

Overall and having carefully considered everything, I'm satisfied that Carmoola obtained sufficient information and made a reasonable decision to lend to Mr W. In the alternative, even if I were to say that Carmoola ought to have done more here, this simply won't have extended into manually reviewing Mr W's open banking transaction data. Therefore, I'm satisfied that Carmoola doing more, won't have stopped it from providing these funds, or entering into this agreement with Mr W. It follows that I'm also satisfied that Carmoola didn't act unfairly towards Mr W when it agreed to provide the funds.

I'm sorry to see that Mr W went on to have difficulty making his payments to the agreement. From what I've seen, it looks like Mr W's circumstances changed after he was provided with this agreement. Having reviewed Carmoola's records of contact with Mr W, I can see that Carmoola provided Mr W with payment plans.

These payment plans were designed to bring his arrears up to date and I can see that Carmoola went through income and expenditure assessments with him to ensure that the payments on these plans weren't too much or more than he could afford pay either.

So I'm satisfied that Carmoola did take action and offered some help and support when Mr W was having difficulty making his payments, in line with its regulatory obligations. And I've not been persuaded that it acted unfairly in relation to this matter either.

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

However, for the reasons I've explained, I don't think Carmoola irresponsibly lent to Mr W 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 carefully considered everything, I've not been persuaded to uphold Mr W's complaint. I appreciate that this will be disappointing for Mr W. 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

My final decision is that I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 April 2026.

Jeshen Narayanan
Ombudsman