

The complaint

CA AUTO FINANCE UK LTD (CA) provided Mr and Mrs S with a hire purchase agreement, and a related personal loan, to purchase a used car in August 2021. Mr and Mrs S were due to make 60 repayments of £448.35, and a total of £27,300 to the agreement. Mr and Mrs S say the finance was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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 considered everything, I'm upholding Mr and Mrs S' complaint. I'll explain my reasoning below:

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr and Mrs S' case.

I've decided the finance wasn't provided fairly because:

- I don't think the checks CA did before providing the finance were reasonable and proportionate given the amount of lending it offered and what it knew about Mr and Mrs S' financial situation.
- This is because the agreement was applied for by Mrs S initially, and CA's checks, which included looking at some of her bank statements, showed that she couldn't afford the repayments to the finance. CA then added Mr S to the agreement, but it only looked at his income and how he had paid the credit he already had. I agree CA should have done more here given the uncertainty around Mrs S being able to repay the finance herself, and the amount and term of the finance agreement. CA should have assessed Mr S' situation properly given he was now a joint applicant.
- If CA had done proportionate checks, I think it's likely these would have shown it was unfair to provide the finance to Mr and Mrs S.
- This is because CA already knew that Mrs S was often overdrawn, and that she had a significant amount of debt already. And the new finance was a significant increase in their indebtedness and monthly outgoings. Mr and Mrs S have provided their bank statements. Our Investigator has calculated that they wouldn't have had enough left over to repay the finance. No party to the complaint has said these amounts are incorrect and I also agree that it's unlikely that this is the case. I think the most important factor here is that, as our Investigator noted, the repayments to this agreement were significant at around £450 a month, and this was about the same as

the amount they had left over each month. So, they wouldn't have enough left over for any emergency expenditures. And Mrs S' information shows that she was already borrowing from friends and family to make ends meet, when she needed to.

- Mr and Mrs S were married and their finances were joint, but despite this Mrs S was already clearly struggling to the degree that CA didn't think it was appropriate to lend to her. I don't see why it was reasonable to assume that Mr S' involvement would assist the repayment of the finance, as he would already be involved in their joint finances, but this doesn't seem to have led Mrs S being able to demonstrate she could afford the finance. It's much more reasonable to have assumed that Mrs S' situation reflected their joint circumstances, as the further information I've seen shows it did. And I think more detailed checks into their situation would have discovered this.
- So based on the information Mr and Mrs S have provided about their circumstances at the time, I think CA should have realised they were unlikely to be unable to sustainably repay what they were being lent.

This means I don't think CA should have provided the car finance to Mr and Mrs S.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr and Mrs S in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think CA Auto Finance ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. Mr and Mrs S should only have to pay the original cash price of the car, £17,290. They also had the benefit of the loan they received so they should pay back the amount they have borrowed which is £2,190.79.

Anything which has been paid in excess of these amounts combined towards the agreements should be refunded as an overpayment.

CA Auto Finance should do the following:

- End the finance agreement with nothing further to pay, ownership of the car should transfer to Mr and/or Mrs S
- Refund any payments made towards the car in excess of £17,290, representing the original cash price of the car. Refund any payments made towards the separate loan in excess of the £2,190.79 borrowed.
- CA 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 and Mrs S' credit files regarding the agreement.

*HM Revenue & Customs requires CA Auto Finance to take off tax from this interest. CA Auto Finance must give Mr and Mrs S a certificate showing how much tax it's taken off if they ask for one.

My final decision

My final decision is that I'm upholding this complaint and CA AUTO FINANCE UK LTD must put things right as I've set out above.

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

Andy Burlinson
Ombudsman