

Complaint

Mrs N complains that CA Auto Finance UK Ltd (then trading as “FCA Automotive” Services UK Ltd) unfairly entered into a hire-purchase agreement with her. She’s said that it wasn’t properly checked whether she could make the repayments to this agreement, which were unaffordable for her.

Background

In February 2023, FCA Automotive provided Mrs N with finance for a used car. The purchase price of the vehicle was £13,162.00 and Mrs N paid a further £867.95 for additional products. Mrs N paid deposit of £2,800.00 and sought finance for the remaining £11,229.95 she required. FCA Automotive agreed to provide this finance via a 48-month hire-purchase agreement.

The loan had interest, fees and total charges of £4,259.31 (comprising of interest of £4,249.31 and an option to purchase fee of £10). This meant that the balance to be repaid of £15,489.26 (which does not include Mrs N’s deposit) was due to be repaid in 47 monthly repayments of £204.35 followed by an optional final repayment of £5,874.00 which Mrs N had to pay if she wished to keep the car at the end of the agreement.

FCA Automotive didn’t uphold Mrs N’s complaint. It believed that the checks it carried out were proportionate and that they showed it was reasonable to lend to her. Mrs N remained dissatisfied at this outcome and referred her complaint to our service.

Mrs N’s complaint was considered by one of our investigators. She didn’t think that FCA Automotive had done anything wrong or treated Mrs N unfairly. So she didn’t recommend that Mrs N’s complaint should be upheld.

Mrs N 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 Mrs N’s complaint.

Having carefully considered everything, I’m not upholding Mrs N’s complaint. I’ll explain why in a little more detail.

FCA Automotive needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that FCA Automotive needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mrs N 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.

FCA Automotive says it agreed to this application after Mrs N provided details of her income. It says it also carried out credit searches on Mrs N which showed that she had some active credit. Nonetheless, it says that when reasonable payments based on the amount Mrs N owed to existing creditors, plus estimates of her living expenses were deducted from her monthly income, the monthly payments were affordable.

On the other hand, Mrs N says the monthly payments were unaffordable.

I've thought about what Mrs N and FCA Automotive have said.

The first thing for me to say is that FCA Automotive didn't simply accept Mrs N's declarations at face value as it carried out credit checks. And given what FCA Automotive saw on the credit check suggests that Mrs N was managing the credit she already had well, it's arguable that it was reasonable for FCA Automotive to rely on an estimate of Mrs N's living costs, rather than finding out more about what they actually were. This is especially given Mrs N paid a deposit equivalent to the monthly payments required in a year.

Furthermore, and in any event, I think that it's unlikely FCA Automotive carrying out further checks is would have made a difference here. I say this because Mrs N hasn't provided anything that shows her committed regular living expenses were higher than the estimates that FCA Automotive used. So I'm not persuaded that FCA Automotive finding out more would have made a difference here.

I've noted that Mrs N has now carried out a line-by-line analysis of her bank statements and has reached the view that she didn't have enough left over for emergencies once the payments to this agreement was deducted from her disposable income. The first thing for me to say is that Mrs N's analysis has been carried out with the use of bank statements and this includes all of her major expenditure. So I'm not necessarily persuaded that the amount she now says she had left means that she shouldn't have been lent to.

I also have to keep in mind that Mrs N's most recent submissions are being made in support of a claim for compensation and any explanations Mrs N would have provided at the time are more likely to have been with a view to persuading FCA Automotive to lend, rather than highlighting any unaffordability.

Bearing in mind all of this, I think that it is unlikely – and certainly less likely than not – that Mrs N would have volunteered that she shouldn't have been lent to as she wouldn't have enough left over to cover emergencies in the way she now argues, had FCA Automotive asked or found out more about her regular living expenses. This is particularly bearing in mind the bank statements provided now show a reasonable credit balance during this period too.

In reaching my conclusions, I've also considered whether the lending relationship between FCA Automotive and Mrs N might have been unfair to Mrs N under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that FCA Automotive irresponsibly lent to Mrs N or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while there is a reasonable argument for saying that FCA Automotive's checks before entering into this hire-purchase agreement with Mrs N did go far enough, I'm, in any event, not persuaded that FCA Automotive doing more would have prevented it from providing these funds, or entering into this agreement with her. I appreciate that this will be disappointing for Mrs N. But I hope that she'll understand the reasons for my decision and she'll at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 30 April 2026.

Jeshen Narayanan
Ombudsman