

Complaint

Ms L 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.

Ms L has used a “representative” to make her complaint.

Background

In July 2020, VWFS provided Ms L with finance for a brand-new car. The cash price of the vehicle was £22,763.00. Ms L paid a deposit of £2,144.00 and entered into a 49-month hire-purchase agreement with VWFS to cover the remaining £20,619.00.

The loan had interest, fees and total charges of £2,304.10 which was made up of interest of £2,294.10 and an option to purchase fee of £10. Ms L was not required to make any payments in the first three months of the agreement. After this the balance to be repaid of £22,923.10 (not including Ms L’s deposit) was due to be repaid in 45 monthly instalments of £293.18 followed by an optional final payment of £9,730.00 which Ms L had to pay if she wished to keep the car. Ms L settled the agreement in full in December 2022.

Ms L’s complaint was considered by one of our investigators. He didn’t think that VWFS had done anything wrong or treated Ms L unfairly. So he didn’t recommend that Ms L’s complaint should be upheld.

The representative, on Ms L’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 Ms L’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Ms L’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 Ms L 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 Ms L. During this assessment, Ms L provided details of her employment and who she worked for. VWFS says it also carried out credit searches on Ms L which showed some well-maintained existing credit accounts with outstanding balances.

In its view, when an amount to reflect reasonable repayments to the amount Ms L already owed, plus a reasonable amount for Ms L'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 Ms L shouldn't have been lent to. I've carefully considered what the parties have said.

The first thing for me to say is that having reviewed the credit searches, it's clear that Ms L didn't have any significant adverse information – such as county court judgments (CCJ) or defaulted accounts - recorded against her. VWFS hasn't provided anything to show that Ms L's income was verified. It has referred to carrying out checks with credit reference agencies but, given the limitations of this method, I'm not sure that it was reasonable to determine Ms L's income this way without any sort of validation from her. Bearing in mind the term of the agreement and the total amount payable here, I would have expected VWFS to take further steps to find out about Ms L's income.

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 Ms L 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 Ms L.

While I've looked at the bank statements Ms L 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 Ms L's bank statements.

In any event, the bank statements provided do appear to show that when Ms L's committed regular living expenses and existing credit commitments are deducted from the funds going into her account, 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 Ms L's actions in not only making her payments on time but also settling the finance early, while paying the optional final payment, also support this being the case.

I've noted that the representative has now carried out a line-by-line analysis of Ms L'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 all her expenditure. So I don't think that the amount the representative has concluded Ms L had left over in itself means that she shouldn't have been lent to.

I also have to keep in mind that Ms L's most recent submissions are being made in support of a claim for compensation and any explanations Ms L 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 Ms L 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.

So I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Ms L 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 Ms L.

In reaching my conclusions, I've also considered whether the lending relationship between VWFS and Ms L might have been unfair to Ms L 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 Ms L 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 there is an argument for saying that VWFS' checks before entering into this hire-purchase agreement with Ms L didn't go far enough, I've not been persuaded that reasonable and proportionate checks would have prevented VWFS from providing these funds, or entering into this agreement with her. I appreciate that this will be disappointing for Ms L. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Ms L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 5 May 2026.

Jeshen Narayanan
Ombudsman