

Complaint

Miss B complains that AutoMoney Limited (“AutoMoney”) unfairly entered into a hire-purchase agreement with her. She’s said the agreement was unaffordable for her.

Background

In July 2022, AutoMoney provided Miss B with finance for a used car. The cash price of the vehicle was £10,330.00. Miss B paid a deposit of £1,000.00 and entered into a 60-month hire-purchase agreement with AutoMoney for the remaining amount of £9,330.00.

The loan had interest, fees and total charges of £7,612.00 (comprising of interest of £7,464.00, a document fee of £49 and an option to purchase fee of £99). So the total amount to be repaid of £16,942.00 (not including Miss B’s deposit) was due to be repaid in a first monthly instalment of £328.90, followed by 58 monthly instalments of £279.90 and then an optional final payment of £378.90.

Miss B disagreed with our investigator’s assessment and asked for her complaint to be 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 Miss B’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss B’s complaint. I’d like to explain why in a little more detail.

AutoMoney needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that AutoMoney needed to carry out proportionate checks to be able to understand whether Miss B could make her payments in a sustainable manner before agreeing to lend to her. And if the checks AutoMoney 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.

AutoMoney says it agreed to this application after it completed an income and expenditure assessment on Miss B. During this assessment, Miss B provided details of her monthly income which it verified against information Miss B provided to support what she'd declared. AutoMoney says it also carried out credit searches on Miss B which showed that she had some historic adverse information recorded against her. But that Miss B didn't have too much in the way of active credit commitments.

Furthermore, in AutoMoney's view, when payments for the amount Miss B already owed plus Miss B's living expenses were deducted from what she received each month, the monthly payments were still affordable. On the other hand, Miss B says that these payments were unaffordable.

I've thought about what Miss B and AutoMoney have said.

The first thing for me to say is that there is an argument that the detailed income and expenditure call which Auto Money went through with Miss B was enough. Nonetheless, I'm satisfied that even if AutoMoney had taken further steps to ascertain Miss B's actual living costs, as a result of her being on a fixed income, rather than relied on what she declared during the call and added this to the rest of the information it did have, this wouldn't have prevented it from lending.

I say this because I've considered the information Miss B has provided us with. Having done so, this information appears to show that when Miss B's committed regular living expenses are combined with what the credit checks showed and are deducted from the funds she received, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Miss B is unhappy that the benefits that she was in receipt of were included as income. She says that this was to care for her child's rather than to pay for a car. I can understand why Miss B might be unhappy at this. But I don't think that it was unreasonable for AutoMoney to include these benefits as these were funds Miss B was in receipt of. This is especially the case as Miss B was being provided with a vehicle that was likely to help transport those in her household, rather than cash. So, in my view, it is unlikely – and less likely than not – that AutoMoney would have declined to lend even if it had it done more here.

Having considered everything, I'm satisfied that the available information makes it appear, at least, as though Miss B had sufficient funds in order for the monthly payments to this agreement to be made in a sustainable manner.

I accept that it's possible Miss B's actual circumstances may not be fully reflected in the information provided. For example, I know that the situation changed when the vehicle was involved in an accident which saw it become a total loss. But AutoMoney won't have known that this would happen. And all I'd expect it to do is take account of factors that it was aware of or it ought reasonably to have been aware of.

So overall and having carefully considered everything, while there is an argument that AutoMoney's checks before entering into this hire-purchase agreement with Miss B did go far enough, I'm nonetheless satisfied that even if this isn't the case, doing more won't have prevented AutoMoney from providing these funds, or entering into this agreement with her.

I'm therefore satisfied that AutoMoney didn't act unfairly towards Miss B when it lent to her and I'm not upholding Miss B's complaint. I appreciate that this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like to remind AutoMoney of its obligation to exercise forbearance and due consideration in relation to the outstanding balance on Miss B's account, subsequent to the agreement being terminated, should it be the case that she is experiencing financial difficulty and it seeks to collect payment.

My final decision

My final decision is that I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 26 February 2024.

Jeshen Narayanan
Ombudsman