

The complaint

Miss R complains that Go Car Credit Limited (“GCC”) lent to her irresponsibly.

What happened

GCC entered into a hire purchase agreement with Miss R in November 2021 for the purchase of a car. The cash price of the car was £13,850 and Miss R paid a deposit of £250. GCC lent Miss R £13,600 for the purchase of the car. The total amount repayable on the agreement was £24,740 and Miss R was required to make 48 monthly repayments of £510.21 with a £10 option to purchase fee.

Miss R complained to GCC about the lending, but it didn’t uphold her complaint. It said it had completed reasonable checks and the credit was affordable for Miss R at the point of sale. Miss R referred her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn’t think GCC had treated Miss R unfairly and so didn’t recommend that the complaint be upheld.

Miss R disagreed. Miss R said she had a high level of debt at the time with poor credit and GCC should have seen this and taken its checks further by specifically asking her for her bank statements and payslips.

As Miss R disagreed with the investigator’s findings and asked for an ombudsman’s decision, the complaint has been passed to me.

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.

GCC will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We’ve set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don’t think it is necessary to set it all out in this decision.

In summary, GCC needed to ensure that Miss R could afford to make her repayments on the agreement when it fell due throughout the term of the agreement. The relevant rules and regulations don’t prescribe what checks need to be carried out, but the checks need to be reasonable and consider the specific circumstances of the consumer.

GCC has provided evidence to show it asked Miss R about her income and verified this through a credit reference agency and this was shown as accurate. It asked her about her monthly living costs and also searched her credit file. I can also see GCC completed a verification call with Miss R where it went through her financial and personal circumstances in some detail.

Miss R declared her income at the time as £3,000, she also confirmed this during the verification call. Miss R told GCC she received child benefit of £84 per month and child maintenance from her ex-partner of £240 monthly.

When GCC went through Miss R's living costs, she declared and confirmed her total living costs including things like rent, food and transport as £1,552.98.

The results of GCC's credit search showed Miss R had a number of historic defaults all of which were over 12 months and either settled or with reducing balances. Miss R's active accounts were mainly up to date, I'm mindful there are two accounts that appear to have arrears building. Miss R provided copies of her credit file from three different credit reference agencies, and I can see she had a County Court Judgement (CCJ) from June 2019 which was satisfied in May 2021.

I've thought about GCC's checks and having done so I think in the circumstances, its checks went far enough. As explained above there isn't a prescribed set of checks GCC had to do and there wasn't a requirement for it to complete a credit search – although it did. GCC also wasn't required to request payslips or bank statements from Miss R before lending. I can hear that during the verification call, it asked Miss R for proof of income but never followed up on this. It has said due to the fact she passed the electronic income check, it didn't need further proof of income like bank statements. I'm also mindful the income figure used was confirmed by Miss R during the verification call and she signed the agreement confirming the figure was accurate.

GCC went through Miss R's living costs in some detail covering key living expenses like rent, utility bills, food and transport. Miss R declared she was in rented accommodation and had been employed with the same employer for over five years and had a dependent child. Given Miss R's declared expenses she would have been left with sufficient disposable income to cover other costs including childcare costs. GCC has also said it added £300 buffer to her expenses.

Miss R has said she was struggling financially and was desperate for a car at the time. Miss R has also said she had a car finance agreement in place at the time. From what GCC saw, that wasn't the impression Miss R's finances gave. I accept there was adverse information but as these were historic and all over 1 year ago, it wasn't unreasonable for GCC to think Miss R's circumstances had improved from the time she had the defaults. I also don't think the presence of the defaults should have meant GCC declined her credit automatically. I think it reacted to the information it had by going through a detailed expenditure check with Miss R and have an opportunity to comment on her financial circumstances.

Miss R has also said her income was less than £3,000 and her ex-partner's contribution wasn't paid monthly. This wasn't something that was apparent to GCC through reasonable and proportionate checks. Miss R told GCC her ex-partner paid £240 towards child maintenance monthly and this was in addition to her monthly wage of £3,000. Bearing in mind GCC's checks from the credit reference agency confirmed Miss R declared wages, GCC had reasonable grounds to rely on the information from its checks and what Miss R told it. Miss R also said she was repaying a personal loan from family trust, another hire purchase agreement and a payday loan but none of these commitments were apparent from the credit check and I can't see she made GCC aware of this.

Overall, GCC's reasonable checks showed Miss R was left with sufficient disposable income to afford the repayments on her agreement throughout the term. I appreciate Miss R has had some difficulties meeting her monthly payments but from what I can see this was due to change in her circumstances like change in bank details and sickness. There was

nothing from what I can see that should have prompted GCC to conclude the credit it was providing Miss R was unaffordable at the point of sale. After Miss R's living costs and monthly repayment towards this agreement was deducted, she was left with around £1,200 of disposable income. This large disposable income meant Miss R could cover other costs she may have had including paying the outstanding balance on her defaulted accounts and her arrears.

In conclusion, it is my opinion GCC's checks were proportionate and reasonable, and those checks showed Miss R could afford her repayments under the credit commitment. So, I don't think GCC was wrong to lend to Miss R in the circumstances.

My final decision

For the reasons given above, I don't uphold Miss R's complaint or make an award against Go Car Credit Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 6 June 2024.

Oyetola Oduola
Ombudsman