

The complaint

Mr N complains that Compagnie Generale de Location d'Equipements UK, trading as CGI Finance, lent to him irresponsibly and without carrying out proper affordability checks.

What happened

In August 2023 CGI approved a loan for Mr N to enable him to buy a boat. It lent him £280,000, which was scheduled to be repaid at just over £3,000 per month over 15 years. When assessing the application, CGI asked Mr N questions about his financial and employment circumstances; got proof of his earnings; saw some bank statements; and conducted a credit check before approving the lending.

The credit agreement was signed by Mr N in mid-September and funds were released and the boat acquired by him in October 2023. Within a few days Mr N says he realised that he could not afford to manage the repayments and he contacted CGI. It has arranged reduced repayments in the short term to enable Mr N to consider his options and try and sell the boat.

The investigator looked at the evidence and thought that CGI's checks went far enough and didn't reveal any concerns which should have led it to a different lending decision. So she didn't uphold the complaint. Mr N disagreed, and said that CGI should never have taken his bonus payment into account when determining his income. This didn't change what the investigator thought, so Mr N asked an Ombudsman to look at his case.

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 done so, I'm not upholding it, broadly for the same reasons as the investigator.

My starting point in reaching my decision is to first look at what information CGI had when considering Mr N's application. Then I need to consider what information it *should* have gathered, given what it knew about Mr N and his circumstances. And, if I think it should have done more checks than it did, I'll set out what I think those checks would likely have showed and how they should have influenced the lending decision.

CGI is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr N would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences"

Essentially, he needed to be able to meet his financial commitments and not have

to borrow elsewhere to repay CGI for the lending to be considered affordable and sustainable.

The regulations required potential lenders to carry out “proportionate checks” to determine whether lending would be affordable, and prescribed nothing more – so the exact nature and depth of checks that need to be carried out in order to be proportionate vary from lending decision to lending decision. There was and is no automatic requirement for a lender to, for example, verify what a customer is telling them. Although it is considered good practice to capture some third party information, as in fact happened here.

As I’ve already set out, CGI asked Mr N a range of questions about his financial and employment circumstances, which he was required to answer on an application form. That form also asked him to declare some of his key monthly outgoings, including any mortgage or rent payable; vehicle finance; and any other credit commitments. Mr N had to provide proof of the earnings he declared on the application, which he did with a P60 from the previous tax year and some recent pay slips. In addition, he submitted a few pages of bank statements to CGI, and it completed a credit check.

Alongside these checks, CGI had lent money to Mr N for a different boat in 2021 and so had the benefit of information from that two-year lending relationship (such as account conduct) along with the evidence provided for the affordability assessment at that time. It is also relevant that Mr N was effectively carrying out a part exchange, so the value of the existing boat was being used as part of the deposit for the new one.

Whilst I acknowledge that this was a large loan, involving significant monthly repayments over a long period of time, overall I think CGI’s checks went far enough. Taking into account what information it had about Mr N, it was reasonable for it to conclude that these repayments would be affordable and sustainable for him. Over both applications, the evidence it gathered showed it that Mr N was in a secure job with an annual income and key outgoings (he declared just over £1,600 worth of outgoings, and no ongoing credit commitments at all) that meant he had more than enough money to meet these repayments. It verified that annual income with tax documents and saw from the bank statements that Mr N had a sufficiently healthy bank balance to enable him to bridge any gap between salary and bonus payments that might have happened. Although significantly lower, Mr N continued to have a healthy bank balance after he had paid the deposit.

Mr N says that CGI should not have taken his bonus into consideration when assessing the affordability of this lending, that the bonus he declared was not typical, and had been far higher than usual in the previous tax year. I asked him why he therefore declared that to be his *annual* bonus, and he said that he had queried what to put and been sent a WhatsApp message by a member of CGI staff directing him just to provide last year’s figure and not worry about it.

I’ve thought very carefully about this, and discussed it with CGI to try and gain a clearer sense of how protracted negotiations like this (this one lasting over two months) generally progress. I also asked Mr N to provide any evidence of the message he’s referred to. He hasn’t been able to, although I have seen other text messages from the CGI staff member in question, which don’t touch on the content of the affordability assessment at all. On balance, I haven’t seen enough to persuade me it is more likely than not that a member of CGI staff coached Mr N in this way when he raised a query/concern about his income declarations and effectively encouraged him to state that his income was higher than it actually was.

I also think it is important to note that the annual income Mr N declared in 2023 (and evidenced with tax documents and pay slips) is very similar to that declared and evidenced in 2021 when he made his first application to CGI. Therefore, I think it was reasonable of

CGI to have relied on what Mr N was telling it, effectively for a second time, rather than to query how typical his declarations were.

The credit check completed showed a high score and concomitant low credit risk profile, founded on a modest number of active credit accounts.

This all leads me to conclude that, based on everything it knew about Mr N, it was fair and reasonable of CGI to have relied on the information that he gave it, which led it to assess that the lending would be affordable and sustainable for him. It therefore follows that I don't uphold this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint and CGI doesn't need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 31 July 2024.

Siobhan McBride

Ombudsman