

Complaint

Mr M complains that Go Car Credit Limited (“Go Car Credit”) unfairly entered into hire purchase agreements with him. He’s said that the monthly payments to his agreements were unaffordable.

Background

In October 2021, Go Car Credit provided Mr M with finance for a used car. The purchase price of the vehicle was £5,667.00. Mr M paid a deposit of £200 and took out a hire purchase agreement with Go Car Credit for the remaining £5,467.00.

The loan had interest, fees and charges of £5,477.00 (consisting of interest of £5,467.00 and an option to purchase fee of £10) and a 48-month term. This meant that the total amount to be repaid of £10,944.00 (not including Mr M’s deposit) was due to be repaid in 48 monthly instalments of £228. This agreement was settled early in August 2022.

Go Car Credit then provided Mr M with finance for a used car for the second time in June 2023. This time the purchase price of the vehicle was £6,899.00. Mr M paid a deposit of £99 and took out a hire purchase agreement with Go Car Credit for the remaining £6,800.00 he needed to complete his purchase.

This loan had interest, fees and charges of £7,105.04 (consisting of interest of £6,800.04, an administration fee of £295 and an option to purchase fee of £10) and a 48-month term. This meant that the total amount to be repaid of £13,905.04 (not including Mr M’s deposit) was due to be repaid in 48 monthly instalments of £289.48.

Mr M complained that both of his agreements were unaffordable and so should never have been provided to him. Go Car Credit didn’t uphold the complaint. It said that its checks confirmed the finance was affordable, on both occasions, and so it was reasonable to lend.

Mr M’s complaint was considered by one of our investigators. He didn’t think that Go Car Credit had done anything wrong or treated Mr M unfairly on either occasion. So he didn’t recommend that Mr M’s complaint should be upheld. Mr M 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 Mr M’s complaint.

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

Go Car Credit needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Go Car Credit needed to carry out proportionate checks to be able to understand whether any lending could be repaid by Mr M 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.

Go Car Credit says it agreed to these applications after Mr M provided details of his monthly income. On the first occasion this was cross-checked against information from credit reference agencies on the amount of funds received into Mr M's main account each month. And on the second occasion what Mr M declared was verified with copies of payslips.

Go Car Credit says it also carried out credit searches on Mr M which had shown Mr M had previous difficulties with credit – although it considered these to be historic as they occurred more than a year before these applications. Furthermore, Go Car Credit says that it incorporated this information into income and expenditure assessments that it completed with Mr M. All of this showed that these payments were affordable for both agreements.

On the other hand, Mr M says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr M and Go Car Credit have said. The first thing for me to say is that this wasn't simply a case of Go Car Credit relying on what Mr M said at face value before deciding to lend to him. It obtained a quite a bit of information from Mr M while considering his applications. Indeed, the second time it asked Mr M for more to support what he said than on the first occasion.

As Mr M has pointed out he did have a history of difficulties with credit, but I don't think that Mr M's previous difficulties with credit, in itself, meant that Go Car Credit should simply have assumed that he wouldn't be able to make his payments, in the way that Mr M's suggested.

Nonetheless, given what it saw on the credit searches it carried out, unlike our investigator I do think that there is an argument for saying that it would have been reasonable and proportionate for Go Car Credit to have found out more about Mr M's actual regular living expenses before it provided either of these agreements to him. So I'm not entirely persuaded that the checks carried out here were reasonable and proportionate.

In order to consider what finding out more about Mr M's actual regular living expenses is likely to have shown Go Car Credit (and therefore what reasonable and proportionate checks are likely to have shown it), I've considered the information Mr M has provided about his circumstances at the respective times.

To be clear, I've not carried out a forensic analysis of the bank statements provided in order to determine whether the loan payments were affordable for Mr M. I've simply considered what Go Car Credit is likely to have done if it obtained the information it is arguable it should have obtained - Mr M's actual regular living costs - here.

I say this because this information provided does appear to show that when Mr M's committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds to sustainably make the repayments due under these agreements, at least at the time that he entered into them.

I appreciate that Mr M's circumstances may have been worse than what was apparent in the information that Go Car Credit gathered in October 2021 and April 2023 and in terms of what Mr M had declared. And having looked at his bank statements, I do have some idea why it may have proved more problematic for Mr M to make his payments than he'd expected. I also accept it's possible – but by no means certain - that if Go Car Credit had obtained Mr M's bank statements it may have chosen not to lend to him because of this.

However, as obtaining bank statements wasn't the only way for Go Car Credit to find out about Mr M's actual regular living expenses, I'm not persuaded that it could have reasonably seen what I now have – this is particularly as Mr M received a vehicle (which he couldn't gamble) rather than cash funds. Therefore, I'm not persuaded that Go Car Credit carrying out further checks here, in the way that it is arguable it should have done, would have resulted in it making a different lending decision on either occasion.

Overall and having carefully considered everything, I'm satisfied that proportionate checks are unlikely to have shown that Go Car Credit that it shouldn't have lent to Mr M. So I'm satisfied that it wasn't unreasonable for Go Car Credit to provide these funds, or enter into these agreements with Mr M.

This means that I don't think that Go Car Credit acted unfairly or unreasonably towards Mr M when it entered into hire-purchase agreements with him and I'm not upholding this complaint. I appreciate that this will be disappointing for Mr M. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I would remind Go Car Credit of its continuing obligation to exercise forbearance and due consideration – particularly bearing in mind what it now knows about Mr M's circumstances - should it be the case that Mr M experiences payment difficulties on agreement two going forward.

My final decision

My final decision is that I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 June 2024.

Jeshen Narayanan
Ombudsman