

Complaint

Mrs F complains that Toyota Financial Services (UK) PLC (trading as “Redline” Finance) 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.

Background

In December 2023, Redline provided Mrs F with finance in order to enable her to acquire a used car. The cash price of the vehicle was £20,319.00. Mrs F didn’t pay a deposit and applied for finance to cover the entire amount.

Redline accepted her application and as a result she entered into a 48-month hire-purchase agreement with it. The amount lent was £20,319.00 and the loan had interest (described as hire-purchase charges on the agreement) of £5,777.10. So the total amount to be repaid of £26,096.10 was due to be repaid in 47 monthly instalments of £351.30 followed by an optional final payment of £9,585.00, which Mrs F had to pay if she wanted to keep the car.

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

Mrs F 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 Mrs F’s complaint.

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

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

Redline says it agreed to this application after it carried out credit searches on Mrs F. Although despite being asked for this information on numerous occasions, it has, incredibly disappointingly, failed to provide this. It has also failed to tell us what it was that it learned about Mrs F's circumstances that led it to conclude the payments to this agreement were affordable for her either.

As Redline hasn't provided us with the output of what it was that it learnt about Mrs F or the actual data which it relied upon to determine that the payments to this agreement were affordable for her, I don't know what it was that Redline relied upon to reach its conclusions. In these circumstances, I'm simply not in a position to agree that Redline did take reasonable steps to understand whether Mrs F could afford the monthly payments. So I'm not satisfied that it did complete fair, reasonable and proportionate affordability checks before entering into this hire-purchase agreement with Mrs F.

As Redline didn't carry out sufficient checks, I have gone on to decide what I think Redline is more likely than not to have seen had it obtained further information from Mrs F. Given the circumstances here, I would have expected Redline to have had a reasonable understanding about Mrs F's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs F has provided on her circumstances at the time. And having done so, I don't think that Redline attempting to find out further information about Mrs F's living costs would have made a difference here. I say this because the information provided appears to show that when Mrs F's committed regular living expenses, other non-discretionary expenditure and her existing credit commitments were deducted from what she received each month, she did have the funds to make the payments to this agreement.

In reaching my conclusions, I've seen that Mrs F has said that insurance for this vehicle proved to be far more expensive than what she had been paying for her previous car, as a result of this car being electric. She's said that the insurance costs made the monthly payments she's had to make unaffordable. However, as Mrs F did not know this at the time of her application, it seems more likely than not that Mrs F would have, if asked, declared insurance costs of around the amount she paid for her previous car rather than the amount she ended up having to pay.

I also have to consider that the monthly statements Mrs F has provided show that she had a significant credit balance. I appreciate Mrs F says that this balance she had was due to her holding funds for her son. But Redline won't have known this. And it seems to me that even if it had gone as far as requesting bank statements from Mrs F, which it did not need to do, what it would have seen is likely to have seen it conclude that the agreement was affordable.

Therefore, while I'm disappointed with Redline's lack of engagement with Mrs F's complaint and I'm not persuaded its checks before entering into this hire-purchase agreement went far enough, I'm satisfied that reasonable and proportionate checks would not have prevented Redline from providing these funds, or entering into this agreement.

In reaching my conclusions, I've also considered whether the lending relationship between Redline and Mrs F might have been unfair to Mrs F under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Redline irresponsibly lent to Mrs F 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.

Finally, I've also thought about what Mrs F has said about being led to believe the supplying dealer was providing her with a three-year warranty rather than a three-month warranty at the time of the sale. However, this didn't form part of Mrs F's complaint to Redline.

Furthermore, I can't see that a warranty is included on Mrs F's agreement and therefore that Redline would have been aware of any warranty. So it seems to me that Mrs F would be better directing any such complaint to the supplying dealer, as it is the party which arranged any warranty and it is best placed to respond to any complaint about what was or wasn't said about this at the time of sale.

Overall and having carefully considered everything, I've not been persuaded that Redline acted unfairly towards Mrs F and I'm not upholding the complaint. I appreciate that this will be very disappointing for Mrs F. 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 Mrs F's complaint, nonetheless I would like to remind Redline of its continuing obligation to exercise forbearance and due consideration – particularly in light of what Mrs F now says about her ability to make payments going forward and she's asked for help exiting the agreement. I would also encourage Mrs F to get in contact with and co-operate with any steps that may be needed to review what, if anything, she might be able to repay and any termination options.

For example, completing any income and expenditure forms sent. I don't think that it is unreasonable to expect her to complete and return such documentation to Redline. Furthermore, if Mrs F feels that she's been treated unfairly by Redline as part of any forbearance process, she may - subject to any other jurisdiction concerns – be able to refer any further complaint about this to us.

My final decision

My final decision is that I'm not upholding Mrs F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 16 December 2024.

Jeshen Narayanan
Ombudsman