

The complaint

Mr W complains about a hire purchase agreement he entered into with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services ('Audi') in March 2013.

What happened

In March 2013 Audi provided Mr W with finance to purchase a new car. The car cost £28,984.54 and Mr W paid a deposit (including a part exchange) of £4,250. He entered into a hire purchase agreement to finance the remaining £24,734.54. After interest and charges the total amount due was £33,357.98, repayable in 47 monthly instalments of £403.14 followed by an optional final repayment of £10,100.40 and an option to purchase fee of £60. The agreement was terminated early in September 2015.

In February 2024 Mr W complained about the interest he paid on the agreement. He said the interest base rate was 0.5% in September 2013, yet Audi charged him an annual percentage rate (APR) of 6.4%. Mr W said he wasn't told he might be able to get a lower rate elsewhere. He also said that Audi didn't do enough to check if the agreement was affordable.

When Audi didn't respond to Mr W's complaint within the eight weeks Mr W asked our service to investigate. One of our investigators looked into what had happened. He didn't think Audi's checks had been proportionate but said there wasn't enough evidence to show that the agreement was unaffordable. Our investigator said Audi had clearly set out the interest rate and APR. He said Audi were the lender, not the broker – and so he didn't think they needed to tell Mr W that there might be other options available to him. For this reason, he didn't think the complaint should be upheld.

Mr W didn't agree with our investigator's view but didn't explain why. He asked for an ombudsman's decision – and the complaint has come to me.

I'm aware Mr W has also complained about the commission that was paid in relation to this finance agreement. That complaint has been considered separately and so I won't comment on anything relating to commission here.

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 Mr W's complaint. I'll explain why.

Affordability

Our investigator asked Mr W for a copy of his credit file and bank statements for the three months leading up to Audi's lending decision. Mr W said he couldn't provide these given how long ago the agreement was taken out. He later told us that his complaint wasn't about the affordability of the agreement, but the interest rate being too high. So, I won't go into great detail here about Audi's decision to lend to Mr W.

For completeness, having considered the evidence Audi provided about their pre-lending checks, I find they didn't go far enough to establish if the repayments would be affordable for Mr W. His application was automatically accepted based on the information he provided on his application form, along with a credit check. I've not seen anything to suggest Audi asked for, or verified, Mr W's income. Given the amount Mr W was asking to borrow, and the substantial monthly repayments he'd be taking on for four years, I'd have expected Audi to get a thorough understanding of Mr W's circumstances before agreeing to lend.

There are different ways a lender can go about checking a prospective borrower's non-discretionary expenditure. I can't be sure what Audi would have done had they decided to conduct further checks, or what Mr W would have told them. In the absence of anything else, our investigator asked Mr W for bank statements for the three months leading up to his application as an indication of what would most likely have been disclosed.

Mr W said he couldn't provide us with the bank statements. Because of this, I don't have sufficient evidence to reasonably conclude that Audi couldn't have fairly lent to Mr W had they conducted further checks.

Interest rate

Mr W said Audi's interest rate was too high and he wasn't given advice to seek out a different option, such as a loan, at a better rate. The starting point here is that Mr W applied for the loan with the help of a credit intermediary, who I'll call S. Under section 56 of the Consumer Credit Act (CCA), Audi can be help responsible for antecedent negotiations between Mr W and S. In other words, what was said or done before the agreement was entered into.

Here, S provided Mr W with a status disclosure document. This set out the scope of the service S was going to offer Mr W. In relation to credit broking, the document says:

"We are not an independent financial advisor. We can introduce you to a limited number of lenders to assist with your purchase [...]"

I'm satisfied that the status disclosure document clearly explained that Mr W wouldn't receive financial advice in relation to the proposed agreement. And so I can't fairly say that Audi, or S on their behalf, ought to have told Mr W that there might be other options available to him.

Audi did need to make Mr W aware of the interest rate they'd charge him, including the APR. Having read through the agreement, I'm satisfied Audi fulfilled their obligation. The agreement clearly sets out the interest rate of 5.27%, giving an APR of 6.4%. The rules in place in September 2013 allowed Audi to decide the terms on which they were prepared to lend, including what interest rate they would charge. Ultimately, if Mr W wasn't prepared to accept Audi's terms, he could have declined their offer to lend.

Did Audi act unfairly in any other way?

I've also considered whether Audi acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with Mr W might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Audi lent irresponsibly to

Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 10 January 2025.

Anja Gill
Ombudsman