

The complaint

Mrs M complains that Northridge Finance Limited (“Northridge”) irresponsibly granted her a loan she couldn’t afford to repay.

What happened

In April 2015 Mrs M acquired a used car that she financed through a regulated consumer credit agreement with Northridge Finance Limited. Mrs M was required to make payments over 36 months. The total repayable under the agreement was £9,233.

Mrs M says that Northridge didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. Northridge didn’t agree. It said that it carried out a thorough assessment which included a review of the information Mrs M had provided about her employment and that she’d explained she was living with parents. It said it had carried out checks through a credit referencing agency to understand Mrs M’s commitments.

Our adjudicator didn’t recommend the complaint be upheld. She thought Northridge didn’t act unfairly or unreasonably by approving the finance agreement.

Mrs M didn’t agree and said the business clearly hadn’t performed an income and expenditure assessment and that they were unreasonable to simply rely on a credit check. She explained that she had been reliant on pay day loans and that other business’ who she had taken credit out with had accepted loans were unaffordable for her; she couldn’t understand why it wasn’t the case here.

The case has been passed to me for a final decision.

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.

Northridge will be familiar with all the rules, regulations, and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Northridge didn’t verify Mrs M’s income before approving the finance. Given the overall size of the borrowing, the monthly repayments, and the term of the agreement, I think it would have been proportionate for Northridge to have done so to ensure it was affordable.

One of the ways that Northridge could have verified Mrs M’s income and expenditure was by reviewing bank statements. In the absence of anything else, I’ve reviewed statements from the period leading up to the loan approval which I think give a good indication of what Northridge would likely have found out had it completed proportionate checks.

The statements show that Mrs M's regular committed monthly expenditure at the time was around £1,274 including petrol, mobile phone payments, credit card and loan payments, as well as a short-term loan. They also show income of about £2,200 so it would seem Mrs M had about £926 of disposable income before taking into account this loan in which monthly payments were set at a little over £245.

Mrs M has explained there would have been rent to consider as well. But there's no evidence of what that was, and Mrs M hasn't provided copies of statements from the other bank account she had, to which payments were being made from the bank account I have seen statements for. I don't therefore think there is sufficient evidence that this agreement wasn't affordable for Mrs M. I'm not persuaded that because other creditors have accepted they provided unaffordable loans that means this loan was unaffordable. The evidence suggests it was affordable. For this reason, I'm not persuaded that Northridge acted unfairly in approving the finance.

My final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 11 January 2022.

Phillip McMahon
Ombudsman