

The complaint

Mr M complains that N.I.I.B. Group Limited trading as Northridge Finance irresponsibly granted him a hire purchase agreement he couldn't afford to repay.

What happened

In January 2016, Mr M acquired a used car financed by a hire purchase agreement from Northridge Finance. He paid a cash deposit of £200 towards the car along with a contribution of £150 from a part exchange. Mr M was required to make an initial monthly payment of £295 followed by 58 monthly payments of £145 and a final payment of £295. The total repayable under the agreement was £9,345.

Mr M says that Northridge Finance didn't complete adequate affordability checks. He says if it had, it would have seen he was gambling, and the agreement wasn't affordable. Northridge Finance didn't agree. It said that it carried out a credit check and gathered information on Mr M's employment and that Mr M was automatically approved.

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

Mr M didn't agree and said that he was working under a zero hours contract and his income and expenses weren't checked.

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 Finance 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.

From the information provided, while Northridge Finance gathered information about Mr M's employment it didn't ask him for his income prior to lending. Without any understanding of what Mr M was earning, I don't think it was possible for Northridge Finance to make a fair assessment of Mr M's ability to afford the repayments without undue difficulty.

I also think that Mr M should have been asked about his expenditure. Although Northridge Finance has said it completed a credit check, this won't have indicated what Mr M's regular living expenses were. Without knowing what Mr M's regular committed expenditure was Northridge Finance wouldn't have got a reasonable understanding of whether the agreement was affordable or not.

Overall, I don't find that Northridge Finance completed proportionate checks.

I think it would have been proportionate for Northridge Finance to have asked Mr M what his income was. Mr M has explained that he was employed on a zero hours contract and so his monthly income varied. He has given different estimates of his earnings at the time. I've seen from Mr M's bank statements in the months leading up to the loan that his income was £564 in October, £721 in November and £875 in December. Therefore, an average income for the three months would have been around £720. I think it's likely Northridge Finance would have discovered this to be his income had it asked.

I can't be certain what Mr M would have told Northridge Finance had it asked about his regular expenditure. I don't think Northridge Finance needed to request bank statements and so I don't think it would have discovered at this time that Mr M was gambling. But in the absence of anything else, I've placed considered the information contained in Mr M's statements as an indication of what would most likely have been disclosed.

Mr M was living with his parents at the time and has explained we was paying £120 a month for rent, £100 for food and rent and also £105 for car insurance. The credit report he has provided showed he was making payments of £54 a month for a loan which settled the month after the hire purchase was provided. At the time his income appeared to be £720. Taking these figures into account, it appears to show the agreement was affordable to Mr M. For this reason, I'm not persuaded that Northridge Finance acted unfairly in approving the finance.

Mr M also said that he wasn't provided with an option to partially settle his agreement and so had to settle it in full which led to further financial consequences. Northridge Finance says it has no record of Mr M requesting this and Mr M hasn't been able to provide anything to support this, therefore I do not have evidence to say he was treated unfairly regarding this issue.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 December 2021.

Jane Archer
Ombudsman