

The complaint

Mr S complains that Advantage Finance Ltd (“Advantage”) irresponsibly granted him a loan he couldn’t afford to repay.

What happened

In December 2014, Mr S took receipt of a car that he financed through a hire purchase agreement with Advantage. Mr S was required to make 53 monthly repayments of £261.29 with a final payment of £436.29 after which Mr S would take ownership of the car. The total repayable under the agreement was £14,284.66.

Mr S says that Advantage didn’t complete adequate affordability checks. He says if it had, it would have seen the agreement wasn’t affordable. Advantage didn’t agree. It said that it carried out a thorough assessment which included verifying Mr S’s income and reviewing his credit file.

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

Mr S didn’t agree and said the business had used too high a salary when calculating affordability and that the loan was never affordable for him as the disposable income he was left with would not have been sufficient.

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.

Advantage 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.

Advantage didn’t ask Mr S about his expenditure. Although it did complete a credit check, this won’t have indicated what Mr S’s regular living expenses were. Without knowing what Mr S’s regular committed expenditure was Advantage wouldn’t have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn’t complete proportionate checks.

I can’t be certain what Mr S would have told Advantage had it asked about his regular expenditure. I don’t think Advantage needed to request bank statements, but in the absence of anything else, I’ve placed significant weight on the information contained in Mr S’s statements as an indication of what would most likely have been disclosed.

I’ve reviewed three months of bank statements prior to the application. These show that Mr S’s regular committed monthly expenditure at the time was around £780. In calculating

this figure, I've included payments to parents for rent, a loan, food, transport, credit cards, and subscriptions. Advantage used an income of £1,300 per month on the basis that they'd been told Mr S's salary was £16,000 per year. The wage slip they'd been presented with suggested his earnings were £1,205. Mr S's income clearly fluctuated and having reviewed his bank statements I think the average figure was closer to £1,300 than to £1,205. So, taking these figures into account, it appears to show the agreement was affordable to Mr S as he had a disposable income somewhere between £164 and £259 after the loan and expenditure was taken into account. For this reason, I'm not persuaded that Advantage 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 Mr S to accept or reject my decision before 13 April 2022.

Phillip McMahon
Ombudsman