

## **The complaint**

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

## **What happened**

I issued my provisional decision on this complaint earlier this month. An extract from that provisional decision is set out below.

*In August 2020, Mr B acquired a car and financed the deal through a hire purchase agreement with Advantage. Mr B was required to make 53 monthly repayments of £221.39, with a final payment of £421.39 after which he would take ownership of the car. The total repayable under the agreement was £12,655.06 towards which Mr B paid a £500 deposit.*

*Mr B 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. They said that they had carried out a thorough assessment and had clarified Mr B’s income through payslips, used statistical data to assess his likely expenditure, and reviewed his credit file.*

*Advantage also noted some comments on a social media site that they believed was linked to Mr B and in which they said he’d claimed the agreement was affordable. They thought his claim was therefore vexatious. Mr B disputes that he was responsible for those comments.*

*Our adjudicator thought Mr B’s complaint should be considered. She said that even if he had made the comments it didn’t necessarily mean he didn’t have a valid claim. She reviewed the information available to her and thought Advantage didn’t act unfairly or unreasonably by approving the finance agreement.*

*Mr B didn’t agree and said that some of the income on the wage slips Advantage had reviewed was overtime and shouldn’t be considered. He said they hadn’t taken all of his debts into account and explained that he hadn’t been able to make payments towards another car loan he has since 2020. He also said that Advantage should have noticed he was gambling and have taken that into account when assessing whether the loan was affordable. Mr B explained that whilst he had some money in a savings account it wasn’t fair to take that into account.*

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

## **What I’ve provisionally 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.*

*I agree with the investigator’s opinion that Advantage didn’t act unfairly when approving the loan. But the investigator thought Advantage hadn’t performed adequate and proportionate checks and I think they did. So, I’m issuing a provisional decision as my reasoning for not upholding this complaint is different than the investigator’s.*

*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.*

*I agree with the investigator that regardless of any comments Mr B may, or may not, have made on social media, it would be unreasonable not to consider his complaint. The complaint may still have validity.*

*Our investigator didn't think Advantage had performed proportionate checks. She thought they should have checked Mr B's expenditure and didn't think they'd adequately considered all of it when they used statistical data to calculate what he was likely to be spending.*

*I don't agree. I think Advantage gathered a reasonable amount of evidence about Mr B's expenditure. They hadn't asked for bank statements but had used statistical data specific to Mr B's location and household to estimate his likely expenditure on rent, utilities, and council tax. They'd then considered what would have been left over to cover other expenditure and had made an allowance of £482. They noted that even after those expenses had been taken into account Mr B would have had enough disposable income to afford the monthly repayments of £221.39. I think that was a reasonable assessment of Mr B's likely expenditure and, whilst I accept Advantage hadn't considered every individual expense Mr B was likely to incur, they had allowed £482 for those expenses and I think that was a considerable amount of headroom after the main expenses of rent, utilities and council tax had been taken into consideration as well as his credit commitments.*

*I don't think there was anything in Mr B's credit file that would have given reason for concern and merited further checks. The credit file showed several historical defaults, but Mr B's credit performance now appeared to have stabilised. He was in arrears towards a home credit agreement but the balance to pay to settle the account wasn't particularly high and his payments towards his other credit commitments were being very well maintained. Advantage would have noted that an unsecured loan of nearly £200 was due to end soon and that his bank account was being well managed.*

*I also think Advantage had performed adequate checks to establish Mr B's income. They'd noted that the income fluctuated a little and had taken a reasonable view that monthly income was around £1,743. Whilst that may have taken into account a little overtime, I don't think that was much and I think Advantage were reasonable to do so.*

*I don't therefore think Advantage needed to go any further and ask, for instance, for bank statements. So, it wouldn't be fair to suggest they should have been aware of any gambling problem Mr B may have had or of any other debts that may not have shown on his credit file. All told I think the checks were proportionate and I don't think Advantage acted unfairly when approving the finance application.*

### **My provisional decision**

*For the reasons I've given above I'm not expecting to uphold this complaint.*

### **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 accepted my provisional decision and didn't provide any additional information for me to review.

Mr B provided some additional information. He said Advantage should have checked his bank statements and that the use of statistics wasn't enough to assess affordability. He said the business wouldn't have understood his other outgoings and failure to pay other commitments and only by looking at the bank statements would they have noted his gambling addiction.

Mr B also suggested that Advantage had missed red flags in his credit file and that he had three separate County Court Judgements that were not being paid. He also said he had accounts with a debt collection company and a car loan that were also not being maintained. He explained that the debt had led him into financial difficulty that he wouldn't be in had it not been for the irresponsible lending.

It was for Advantage to decide what checks it would perform but the checks it completed needed to be proportionate to the loan being provided so, given the size of this loan, I would expect them to be quite detailed. They didn't have to ask for bank statements so they wouldn't have noticed any gambling problem Mr B had. I think their checks were proportionate for the reasons I've already given. They reviewed and verified income, checked current credit commitments and made a reasonable assessment of expenditure using statistical data.

Mr B has explained there were some County Court judgements on his credit file, and I've seen screen shots from his phone that show these were registered in 2016 and 2017. I've not seen that these were considered by Advantage as they weren't listed in the credit file they provided. The defaults Mr B has referred me to were, but those markers, and the County Court judgements, were historic and as I said in my provisional decision:

*"The credit file showed several historical defaults, but Mr B's credit performance now appeared to have stabilised. He was in arrears towards a home credit agreement but the balance to pay to settle the account wasn't particularly high and his payments towards his other credit commitments were being very well maintained. Advantage would have noted that an unsecured loan of nearly £200 was due to end soon and that his bank account was being well managed".*

I've not seen evidence of accounts with the debt collector Mr B has mentioned in his correspondence so it wouldn't be fair for me to take that into account.

I've not been persuaded that Advantage acted unfairly when they approved Mr B's credit application and my provisional decision remains unchanged.

### **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 B to accept or reject my decision before 13 April 2022.

Phillip McMahon  
**Ombudsman**