

The complaint

Mr W, who is represented by a third party, complains that Specialist Motor Finance Limited irresponsibly granted them a hire purchase he couldn't afford to repay.

What happened

In February 2020, Mr W acquired a used car financed by a hire purchase from Specialist Motor Finance. Mr W paid a deposit of £1,500. He was required to make 60 monthly repayments of £267.25, with a final optional payment of £277.25 if he wanted to own the car at the end of the agreement. The total repayable under the agreement was £17,545.00.

Mr W says that Specialist Motor Finance didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Specialist Motor Finance didn't agree. It said that it carried out a thorough assessment which included using credit check and statistical information.

Our adjudicator didn't recommend the complaint be upheld. He thought Specialist Motor Finance didn't act unfairly or unreasonably by approving the finance agreement.

Mr W didn't agree and so the complaint 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.

Specialist Motor 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.

The checks carried out by Specialist Motor Finance included obtaining details about Mr W's income and estimating his expenditure, which was based on his living at home. It also completed a credit check to find out more about his other credit commitments. The credit check showed that Mr W had two credit or store card accounts on which he owed around £1,300 from total available credit of £1,750. He also had a loan agreement in place on which he hadn't missed or fallen behind on monthly payments. The checks didn't show there to be any adverse markings on Mr W's credit records to suggest recent financial difficulty. I've seen that the third party representing Mr W has referred to there being some short term borrowing which had previously defaulted. This doesn't appear to have shown up in the credit check Specialist Motor Finance carried out and not have I seen any credit report evidence about these.

Whilst Specialist Motor Finance calculated that Mr W ought to have had around £350 in disposable income available each month, these checks won't have shown what Mr W's monthly living expenses actually were, as well as other regular spending commitments.

Without knowing what his regular committed expenditure was, I don't think Specialist Motor Finance would have gained a good enough understanding of whether the agreement was affordable or not. I therefore think it could have done more when carrying out checks to ensure the agreement was affordable before completing the agreement with Mr W.

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

I've reviewed bank statements that cover five months leading up to Mr W making his application. During this period his monthly income from earnings appeared to be around £1,000, although it varied from month to month. The statements also show that Mr W was generally managing his daily outgoings well, meeting his existing credit commitments and having disposable income available each month to meet day-to-day living expenses, as well as being able to spend on various leisure items. Taking a broader view, his total outgoings were only slightly exceeding his total income during this period and there was no evidence of his overall financial circumstances deteriorating.

Taking all of this into account, I'm satisfied that the agreement appears to have been affordable to Mr W. For this reason, I'm not persuaded that Specialist Motor Finance acted unfairly in approving the finance.

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 W to accept or reject my decision before 11 May 2023.

Michael Goldberg
Ombudsman