

The complaint

Miss C complains that Startline Motor Finance Limited (SMFL) irresponsibly granted her a hire purchase agreement she couldn't afford to repay.

What happened

In May 2015, Miss C acquired a used car financed by a hire purchase agreement from SMFL. Miss C paid a £100 deposit and was required to make 44 monthly repayments of around £185, with a final optional payment of around £484 if she wanted to own the car at the end of the agreement. The total repayable under the agreement was around £8,719.

Miss C says that SMFL didn't complete adequate affordability checks and that she wasn't aware these were needed until she saw some advice online in 2022. She says if it had completed adequate checks, it would have seen that she had payday loans at the time, and that the agreement wasn't affordable. SMFL didn't agree. It said that it carried out a thorough assessment which included a credit check and gathering evidence of Miss C's employment and income.

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

Miss C didn't agree and said that her payday loans were clearly visible on her statements as was the fact her account was overdrawn. She said that her income fluctuated based on the hours she worked and that she had to make contributions towards her household expenses. She said had adequate checks taken place before lending SMFL would have realised the agreement was unaffordable.

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.

SMFL 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.

SMFL has said that it carried out a credit check and that Miss C had a current account and credit card account that were well managed and while there were small excess limits at the time of application there were no current or previous arrears. It said Miss C had one historic default from 2012. I haven't seen a copy of Miss C's credit file from the time but note Miss C's comment about her use of payday loans. However, without further evidence I do not find I can say I have enough to say that Miss C's credit file alone meant this agreement shouldn't have been provided.

SMFL asked Miss C about her employment and received a recent payslip. This was dated 15 May 2015 and showed a payment for around £734 and income for the financial year to date of around £2,432. I do not find it unreasonable that SMFL relied on this information. And, while I note Miss C's comments about her hours changing, having looked through her bank statements these show she was generally paid every two weeks in the months leading up to her agreement and while the amounts did vary, they gave an average monthly income of around £1,300 which is in line with the amount suggested by her income to date on the May payslip.

SMFL didn't ask Miss C about her expenditure. Without knowing what Miss C's regular committed expenditure was SMFL wouldn't have got a reasonable understanding of whether the agreement was affordable or not. I can't be certain what Miss C would have told SMFL had it asked about her regular expenditure. I don't think SMFL needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Miss C's statements as an indication of what would most likely have been disclosed.

I've reviewed the bank statements Miss C has provided for the period leading up to her application. These show that Miss C's regular committed monthly expenditure at the time was around £400. In calculating this figure, I've included costs such as other credit commitments and charges, communications payments and insurance. Additional to this Miss C was paying for food and transport. Taking this into account, I do not think that had further checks taken place, I can say that SMFL should have found this agreement to have been unaffordable at the point it was provided. For this reason, I'm not persuaded that SMFL acted unfairly in approving the finance.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 1 May 2023.

Jane Archer
Ombudsman