

The complaint

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

What happened

In May 2019, Miss G acquired a used car financed by a hire purchase agreement from SMFL. Miss G was required to make 59 monthly repayments of around £242 followed by a final monthly payment of around £252. The total repayable under the agreement was around £14,546.

Miss G says that SMFL didn't complete adequate affordability checks. She says if it had, it would have seen that she had poor credit at the time and that she had a gambling addiction. Because of this she says adequate checks would have shown the agreement wasn't affordable. SMFL didn't agree. It said that it carried out a thorough assessment which included verifying that Miss G's declared income was accurate and carrying out a credit check. It said that Miss G's application was auto accepted.

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

Miss G didn't agree and said that her credit commitments were much higher than had been recorded and that adequate checks would have shown this – including that she had several outstanding payday loans.

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.

Before granting the finance, I think SMFL gathered a reasonable amount of evidence and information from Miss G about her ability to repay. I say this because it completed a credit check which having looked at the results suggested that Miss G was managing her active accounts without any major issues, and I do not find this suggested she was struggling financially. It also verified her declared income through a credit bureau data check. I find it reasonable that it relied on the outcome from this and also note that having looked at Miss G bank statements the recorded income amount is supported. I find it reasonable that Miss G's credit commitments were taken from the credit check results and in this case, given the size of the repayments compared to Miss G's verified income I do not find it unreasonable that estimates were used for Miss G's costs of living and housing cost based on third party data.

However, just because I think SMFL carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've reviewed the information and evidence SMFL gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Miss G. I say this because Miss G had a monthly net income of around £3,400. Based on the information she provided about her circumstances at the time I find the amounts included for her costs of living and housing costs weren't unreasonable. Miss G has said her credit commitments were higher than the amounts recorded by SMFL and has particularly noted payday loans she was repaying at the time. While I note Miss G's comment, as SMFL: carried out proportionate checks, I find it reasonable that it relied on the outcome of these. The checks did show that Miss G had some outstanding loan repayments, and these were included. Based on what I have seen I do not find that SMFL was wrong to rely on the information it received, and this didn't suggest the lending was unaffordable. For these reasons, I don't think SMFL acted unfairly when approving the finance application.

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 Miss G to accept or reject my decision before 9 June 2023.

Jane Archer
Ombudsman