

The complaint

Mr D complains that Specialist Motor Finance Limited trading as Specialist Motor Finance irresponsibly granted him a hire purchase agreement he couldn't afford to repay.

What happened

In May 2021, Mr D acquired a used car financed by a hire purchase agreement from SMFL. Mr D was required to make 59 monthly repayments of around £227 followed by a final repayment of around £237. The total repayable under the agreement was around £13,624.

Mr D says that SMFL didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. SMFL hasn't provided evidence of the checks that were carried out before the agreement was provided.

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

Mr D didn't agree. He said that our investigator accepted that adequate checks weren't carried out before the lending, and he disagreed that had these happened it would have shown the lending was affordable. He said that although he said he was working full time at the time of his application he was working part time.

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.

As I haven't seen evidence of the checks undertaken before the lending was provided, I cannot say whether the checks were adequate or not. I have therefore looked at the evidence provided to see whether I think adequate checks undertaken at the time would have suggested the lending was affordable.

I have looked at the copy of Mr D's credit file. While this does show that Mr D had experienced some historic financial issues and had missed a few payments in the months leading up to the agreement, in general I do not find the report shows he was in financial difficulty at the time or that this alone meant the lending shouldn't have been provided. However, noting there was some adverse information recorded, I think it would have been reasonable to have verified Mr D's income and got a clear understanding of his expenses to ensure that the lending was affordable.

I do not think that SMFL was required to request copies of Mr D's bank statements but in the absence of any other evidence I have relied on these as an indication of what SMFL would likely have identified and Mr D would likely have disclosed had adequate checks been undertaken.

I've reviewed three months of bank statements prior to the application. These show that Mr D's income consisted of around £896 a month salary plus benefits. This gave Mr D a total monthly income of around £1,600. Mr D's regular committed monthly expenditure at the time was around £1,000. In calculating this figure, I've included his other credit commitments and regular expenses noted in his bank statements as well as the amounts Mr D said he was paying for rent and utilities. Additionally, he needed to pay for food, transport and other living expenses but considering the repayments required under the agreement and taking his income and expenses into account, I do not find I can say that SMFL should have found the agreement wasn't affordable for Mr D. For this reason, I'm not persuaded that SMFL acted unfairly in approving the finance.

Mr D has also said that the fees and charges on the agreement were extortionate. I have looked at the agreement that Mr D signed and can see this clearly set out the interest rate and other charges. Mr D's required repayments were explained and so I find he had the information he needed to make an informed decision. The agreement also contained information about Mr D's withdrawal rights. Given this I do not find I can say that SMFL did anything wrong by applying the charges in line with the agreement.

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 D to accept or reject my decision before 23 June 2023.

Jane Archer
Ombudsman