

The complaint

Mr C complains about the affordability of a hire purchase agreement provided by Advantage Finance Limited (Advantage).

What happened

In April 2017 Mr C acquired a used car through a hire purchase agreement with Advantage. The agreement ran for 42 months, Mr C was required to make 41 monthly repayments of £270.56 and a final payment of £445.56.

Mr C complained to Advantage. In summary he said the finance should've been deemed unaffordable as he had a rock bottom credit rating and around 15 payday loans and other loan accounts. He also said he had issues with gambling which negatively impacted his finances.

Advantage looked into Mr C's concerns but didn't uphold the complaint. In summary, it said appropriate checks had been made as to whether Mr C could afford the agreement and said the loan was affordable.

Mr C remained unhappy and so referred his complaint to the Financial Ombudsman. Our Investigator didn't recommend the complaint be upheld because she didn't think there was enough evidence or information to suggest the agreement wasn't affordable to Mr C.

Mr C didn't agree and said Advantage should have done more to establish his financial situation at the time.

As an agreement can't be reached the case has been passed to me for a 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.

I appreciate Mr C has drawn parallels with other cases he's referred to this service, but I'd like to point out that we consider each case on its own merits.

I'll explain below why I've decided Advantage don't need to do anything more to resolve this complaint.

The rules that apply to credit agreements are set out in the consumer credit sourcebook ("CONC") of the Financial Conduct Authority's handbook. Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like Advantage to complete reasonable and proportionate creditworthiness assessments before agreeing to lend money.

I'm going to consider these rules in the following stages:

1. Did Advantage complete reasonable and proportionate checks to satisfy itself that Mr

C would be able to sustainably repay the borrowing?

- a. If it did, was the decision to then lend to Mr C fair?
- b. If it didn't, would reasonable and proportionate checks have shown that Mr C could sustainably repay the borrowing?

2. Did Advantage act unfairly or unreasonably in some other way?

Did Advantage complete reasonable and proportionate checks to satisfy itself that Mr C would be able to sustainably repay the borrowing?

What's considered reasonable and proportionate will vary depending on the details of the borrowing and the borrower's individual circumstances.

Before granting the finance, I think Advantage gathered a reasonable amount of evidence and information from Mr C about his ability to repay. I say this because it completed a credit check in order to understand how Mr C had managed his existing and previous finance arrangements. It also verified Mr C's income via a payslip, confirmed his accommodation type, his employment and that he had no dependents. It used statistical data specific to Mr C's location and household to estimate his likely expenditure on rent, utilities and council tax.

Advantage also considered what would have been left over to cover other expenditure and made an allowance of around £1,700. It noted that even after the estimated expenses had been taken into account, Mr C would have had enough disposable income to afford monthly repayments up to £270.56.

I think Advantage made a reasonable assessment of Mr C's likely expenditure and, whilst I accept Advantage didn't consider every individual expense Mr C was likely to incur, it had allowed around £1,700 for those expenses. I think this 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 C's credit file that would have given reason for concern and merited further checks. The credit file showed three active accounts with a total outstanding balance of approximately £1000 – including one payday loan and one home credit loan. The credit file also showed some historical defaults, but Advantage has said it provides finance to customers who may have had historic financial problems and so this didn't impact its decision to lend. I don't find this to be unreasonable given the amount Mr C owed on the three accounts at the time was fairly low. And as highlighted above, the disposable income available to Mr C would've appeared to have allowed him to comfortably repay the outstanding balances on his three active accounts.

Overall, I'm satisfied that Advantage gathered a reasonable and proportionate amount of evidence and information to be able to adequately assess whether the agreement was affordable and sustainable for Mr C. And because of this I don't think Advantage acted unfairly when approving the finance application.

2. Did Advantage act unfairly or unreasonably in some other way?

Mr C has said Advantage should have requested to review his bank statements when deciding whether or not to lend to him. He says if it did, it would have seen that he spent a lot of his disposable monthly income on gambling and he had several payday loans.

I appreciate Advantage could have requested to review Mr C's bank statements, but it isn't

required to do so as part of its affordability checks.

I've reviewed Mr C's bank statements and they do show Mr C spent some of his disposable income with gambling companies, as well as having multiple payday loans. I appreciate Mr C has indicated to us that this was a problem for him. But the question for me is whether Advantage would have been able to find that out if they requested further information from him at the time of lending.

I'm of the view the checks here were completed to a reasonable level without Mr C needing to show Advantage his bank statements. He used a payslip to demonstrate his income and Advantage relied on statistical data as well as a credit check to assess his affordability. Not all payday lenders supply credit reference agencies with lending information so I can't say Advantage has done anything wrong. I can't see anything in the results of these checks that would've given Advantage cause for concern and required it to carry out further checks so I think it acted fairly on the information it had.

Without those bank statements, it would have been hard for Advantage to see the scale of Mr C's spending on gambling or his other payday loans, but I can't see Mr C brought this to Advantage's attention at any point or at the point he was applying for the finance.

I can appreciate Mr C feels his spending on gambling was a factor in finding this agreement unaffordable. And as noted above, he's made reference to other similar cases he's brought to this service. But as I've said, each case is looked at on its own merits and whilst I've taken a similar approach in considering the circumstances of this complaint it doesn't necessarily mean the outcome will be the same.

For reasons I've explained I don't see that Advantage was required to carry out further checks than it did, so I find that Advantage didn't act unfairly or unreasonably.

My final decision

I've decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 August 2023.

Rajvinder Pnaiser
Ombudsman