

## **The complaint**

Ms H believes Startline Motor Finance Limited acted irresponsibly by agreeing a hire purchase agreement she'd applied for.

## **What happened**

In November 2019, Ms H was supplied with a used car through a hire purchase agreement with Startline. The agreement was for £9,995 over 45 months, with monthly repayments of £303.41. The car was stolen by Ms H's ex-partner in 2021, and her insurance company paid out on a claim, which settled the outstanding amount on the agreement.

Ms H has complained that Startline didn't act responsibly when approving the finance. She says she was coerced into taking out the agreement by her abusive ex-partner, and that it wasn't affordable to her as an unemployed single parent of three children with existing loans and credit cards.

Startline didn't uphold Ms H's complaint, so she brought it to the Financial Ombudsman Service for investigation.

Our investigator said that Startline had undertaken a credit check and verified Miss H's income through an electronic verification system. However, he wasn't convinced that all of Miss V's credit commitments had been taken into consideration, or that they'd factored in any housing costs. And, because the introducing credit broker has said that Miss V was unemployed, the investigator thought Startline's checks weren't reasonable and proportionate, and they should've done more to verify her income and expenditure.

The investigator considered Miss V's bank statements from the time of her application to Startline, as he thought this would give a reasonable picture of Miss H's financial circumstances at the time. And he said these showed that Ms H's income was made up of benefits and was substantially lower than the amount Startline had electronically verified.

The investigator said that, when looking at Ms H's income and committed expenditure, she had around £86 a month disposable income, which wasn't sufficient to pay Startline's payment of £303 a month. So, he said Startline had acted unfairly, and the agreement wasn't affordable to Ms H. And they should do something to put things right.

The investigator said that, where an agreement had been settled in full, we'd expect the financial business to refund anything over and above the cash price of the car, plus statutory interest. And he also thought any adverse credit relating to the agreement should be removed from the credit reference agencies.

The investigator also considered Ms H's complaint about coercion, but he didn't think that Startline should've been reasonably aware of this at the time they processed her application.

Ms H agreed with the investigator, but Startline didn't. They said that electronic verification of income was a valid tool, and they don't think they did anything wrong by verifying Ms H's income this way. They also thought it was reasonable to rely on the information contained



within their credit check, and to allow for 20% of the customer's income for housing and other associated costs. So, they didn't think we'd put enough weight on the checks they did.

What's more, Startline thought it was unreasonable to deny customers access to credit, just because they are unemployed. And they didn't think it was reasonable the investigator relied on the bank statements, as they hadn't seen these at the time of the application.

Because Startline didn't agree with the investigator, this matter has been passed to me to make 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Startline complete reasonable and proportionate checks to satisfy itself that Ms H would be able to repay the credit in a sustainable way?
  - a. if so, did Startline make a fair lending decision?
  - b. if not, would reasonable and proportionate checks have shown that Ms H could sustainably repay the borrowing?
2. Did Startline act unfairly or unreasonably in some other way?

And, if I determine that Startline didn't act fairly and reasonably when considering Ms H's application, I'll also consider what I think is a fair way to put things right.

#### **Did Startline complete reasonable and proportionate checks to satisfy itself that Ms H would be able to repay the credit in a sustainable way?**

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

I've seen a copy of the credit search Startline carried out when they approved the finance for Ms H. This shows they'd calculated her net monthly income as £2,835. It also shows Ms H was paying £80 a month to a utility supplier, £357 a month to four unsecured loans, £471 a month for a mortgage, and that she had an outstanding balance of £1,398 on four credit cards / mail order accounts.

Startline have said that they take 5% of any outstanding balance when doing an affordability check. However, they haven't provided a copy of their affordability calculation to show what expenditure they accounted for, and whether this is reasonable.

It's also not disputed that Ms H declared on her application form that she was both unemployed and in rented accommodation. While I agree that Startline aren't able to discriminate against a customer just because their income is made up of benefits, some benefits are only paid for a time limited period. So, I think it would've been appropriate for them to have asked Ms H more questions about her income, so as to determine whether the finance would be affordable for the full term.



In addition to this, Ms H said she was in rented accommodation, but the credit search shows a mortgage. This may indicate Ms H had a second property (one rented, one mortgaged) which would result in an increase in property related expenditure such as council tax and utility bills. I also think that Startline should've asked Ms H more questions about this.

Finally, I've listened to a call between Ms H and the introducing credit broker, that took place when Ms H was applying for finance. On this call, Ms H made it clear that the car was for her partner, that he would be the main driver, and that she would only be an additional driver. While she later backtracked on this during the call, and said the car was for her and not for her partner, the broker said they would need to make the finance company (Startline) aware of this. And doing so was a regulatory requirement.

However, I haven't seen anything to show me that Startline ever discussed this with Ms H, to satisfy themselves that she wasn't obtaining finance on behalf of someone else. And this is what Ms H has subsequently said was the case – she was coerced into taking out the agreement by her then abusive partner.

So, given the above, I'm not satisfied that Startline carried out reasonable and proportionate checks when approving the finance Ms H applied for. As such, I've considered what Startline would've found out had these checks been carried out.

*Would reasonable and proportionate checks have shown that Ms H would be able to repay the credit in a sustainable way?*

Ms H has provided bank statements for two accounts, for the periods 29 July to 27 December 2019 and 16 July to 14 December 2019 respectively. As the finance agreement was electronically signed on 11 November 2019, and while I wouldn't necessarily have expected Startline to ask for bank statements, I think the bank statements for the three months prior to the agreement being signed give a good indication of what Startline would likely have discovered if they'd asked about Ms H's income and expenditure at the time.

The bank statements show that Ms H regularly transferred money between her accounts, and she also received £10,000 from the sale of a property (the one with the mortgage) during the period in question. I'm aware that the type of electronic check Startline carried out looks at money going into accounts, and both the transfers and the sale proceeds could've affected these results. Which shows me that, in this instance, the income verification check Startline carried out wasn't reasonable to rely upon.

The bank statements show that Ms H's income was made up entirely of benefits. And this included £443.40 a month that was paid specifically to cover her son's care requirements. As such, this can't be counted as part of her income. So, based on what I've seen, at the time of the application Ms H had an income of £2,336 a month.

The bank statements also show that Ms H was paying £750 a month towards her rent; £235 a month for her household bills; £87 a month for insurances; and £120 a month for TV, phone, and broadband. She was also paying £464 a month towards her existing credit commitments. I've also noted that Ms H's housing and associated costs were around 42% of her monthly income, substantially more than the 20% Startline said they would have used in any affordability calculation.

This would have left Ms H with £680 a month from which to pay her transportation and food costs (which she says were around £650 a month), the £303 payment to Startline, and any other non-essential expenditure she may have.



It's therefore clear from this that Ms H didn't have sufficient income from which to sustainably support the payments to Startline. And had they done reasonable and proportionate checks to establish her actual income and outgoings, they would've seen that the finance shouldn't have been approved. So, I think that Startline need to do something to put things right.

*Did Startline act unfairly or unreasonably in some other way?*

As I've said above, Ms H initially told the credit broker that she was taking the finance out for her partner. However, when challenged by the broker, she then said the finance was being taken out for herself, and that she wanted to raise a complaint when the broker said this would need to be referred to Startline.

So, while I haven't seen anything to show me that Startline discussed this matter with Ms H, had they done so, I think it's more likely than not Ms H would've maintained her position that the car was for her, and that her partner would be taking separate finance for his own vehicle. As such, I don't think that Startline would reasonably have known she was being coerced into taking the finance for another person. And I can't say they've acted unfairly or unreasonably by not acting on information they were unaware of.

**Putting things right**

In a situation like this, when the finance has been repaid, it's our approach that Ms H shouldn't pay any more than the cash price of the car – in this instance £9,995. So, Startline should:

- remove any adverse entries relating to this agreement from Ms H's credit file;
- refund anything Ms H has paid over and above the £9,995 cash price of the car; and
- apply 8% simple yearly interest on the refund, calculated from the date Ms H made the payments to the date of the refund †.

†HM Revenue & Customs requires Startline to take off tax from this interest. Startline must give Ms H a certificate showing how much tax they've taken off if she asks for one.

**My final decision**

For the reasons explained above, I uphold Ms H's complaint about Startline Motor Finance Limited. And they should follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 3 October 2023.

Andrew Burford  
**Ombudsman**