

## **The complaint**

Mr C believes Startline Motor Finance Limited acted irresponsibly by agreeing a hire purchase agreement he'd applied for.

## **What happened**

In June 2021, Mr C was supplied with a used car through a hire purchase agreement with Startline. He paid a deposit of £250, and the agreement was for £9,000 over 48 months; with 48 monthly payments of £205.80 and a final payment of £3,208 if Mr C wanted to keep the car.

Mr C has complained that Startline didn't act responsibly when approving the finance. He's said that, at the point when he made his application, he had several defaults as well as payments arrangements with other lenders. He also said that his income at the time was £3,250 a month (including child benefit) while his committed outgoings were £3,120 a month. So, he didn't think the payments were affordable.

Startline considered this complaint, but they thought they'd done adequate checks, which showed that Mr C could afford the payments. And they didn't uphold his complaint.

Mr C wasn't happy with this, so he brought his complaint to us for investigation.

Our investigator didn't think the checks Startline had done were adequate, and she thought they should've taken further steps to verify Mr C's committed expenses. However, she also said that, had Startline done this, it would've shown the finance was affordable for Mr C. So, she didn't think Startline needed to do anything more.

Mr C didn't agree with the investigator. He said that his payments to HMRC related to underpaid personal tax, and didn't relate to his consultancy business, for which he only received £5,127 income between September 2019 and March 2022. Mr C also said that his child benefit was due to end in August 2021, although he acknowledges he didn't advise Startline of this fact.

Finally, Mr C said he had a gambling addiction, which he didn't make Startline aware of, which was costing him between £500 and £1,000 a month. He said he had to take out additional loans because of this to enable him to keep up payments, loans which we have already decided were unaffordable to him. So, he's asked for an ombudsman 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 Mr C 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 Mr C 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 Mr C'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 Mr C 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.

Startline have explained that they verified Mr C's income and expenditure through a credit reference agency, which confirmed the finance he'd applied for was affordable. They said that, although Mr C had historic credit problems, he was actively paying into a debt management plan ('DMP') and had less than one payment remaining.

However, Startline haven't provided anything to evidence the checks they actually carried out. As such, I can't be satisfied that these checks were reasonable and proportionate. Therefore, I've gone on to consider what Startline would likely have found had reasonable and proportionate checks been carried out.

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

Mr C has provided a copy of his credit report. However, the copy he's supplied is dated September 2019, which is almost two years before he applied for the finance with Startline. While he's said this shows some of the bad debts he had at the time, his financial situation would've changed between September 2019 and June 2021. As such, I'm satisfied that most of the information contained on this credit report isn't relevant to what Startline would've seen when assessing Mr C's application.

However, this report does show DMPs that, based on the balances and payments Mr C was making, would still most likely be active in June 2021.

I wouldn't have expected Startline to decline this application just because Mr C had some historic credit problems – they are a lender that specialises in lending to customers with such issues. But I would expect Startline to take these into consideration when making their lending decision.

Mr C has also provided copies of his bank statements for the period 4 March 2021 to 3 August 2021. While I wouldn't have expected Startline to have asked Mr C for copies of these, as Mr C took out the finance with Startline at the end of June 2021, I'm satisfied that the statements for 1 April to 30 June 2021 would give a good indication of what Startline would likely have taken into consideration had they asked Mr C to prove his income and committed expenditure during that specific period.

The bank statements show that Mr C received an income from his employers that increased from £3,152 a month to £3,206 a month in June 2021. Although this doesn't show on the statements that have been provided, as it was paid into his wife's account, it's not disputed that Mr C also received £80 a month child benefit income. While I've noted Mr C's comments that this was due to end in August 2021, he's also confirmed he never made Startline aware of this. As such, I'm satisfied it's reasonable for this to be considered as income.

Mr C also received an average of £371 a month from a consultancy firm he owned. While I've again noted his comments about the amount of profit this firm generated, and that he was receiving furlough income that stopped in October 2021, the firm was a limited company, therefore a separate legal entity. So, Mr C was essentially receiving a second salary. And he's confirmed he never told Startline that this income was due to end shortly. As such, when looking at what Startline would reasonably have known, I'm satisfied it's reasonable to include this second salary as part of Mr C's income.

Given the above, Mr C would've had an average monthly income of £3,657 at the time of his application to Startline.

The bank statements show that Mr C regularly transferred money to another account he says he used to pay some bills. While he hasn't provided copies of the statements for this second account, he has provided a breakdown of the bills he says this money was used for. And the amounts he paid roughly match with the amount of the bills Mr C has declared. As such, I've considered this when looking at Mr C's expenditure at the time of his application.

Mr C spent £800 a month on his mortgage, council tax, and utility bills; an average of £170 a month on TV, telephone, and internet; £144 a month on various insurances; and £20 a month on car tax and breakdown cover. Mr C also spent £1,327 a month on servicing his existing debts, including the money owed to HMRC and payments to his DMPs. So, he had total committed expenditure of £2,461, giving him £1,196 disposable income each month.

Mr C has said he spent around £700 a month on food, clothing, transport etc., as well as saying he was addicted to gambling. I've looked at the net gambling transactions on these bank statements, and they reduced from £961 in April 2021, to £751 in May 2021, and again to £112 in June 2021. Mr C also acknowledges that he didn't tell Startline he had a gambling problem.

So, even if Startline had reviewed the bank statements, these would've shown that Mr C was gambling a reducing amount each month. And I don't consider this to be something that should've meant Startline shouldn't have approved the finance.

Finally, Mr C has commented that loans he took out after the finance with Startline was approved have been determined to have been unaffordable at the time. While I don't doubt this is the case, these loans were taken *after* the loan with Startline. And any determination would've been made based on Mr C's affordability at the time of these applications. As such, I don't consider what happened after the application to Startline has any bearing on the decision Startline made.

So, and while I appreciate this will come as a disappointment to Mr C, I'm satisfied that, had Startline carried out reasonable and proportionate checks, then there's no valid reason why they wouldn't have found the finance to be sustainably affordable. And it's for this reason why I won't be asking them to refund all or part of the payments Mr C paid, or of any interest and fees he may have been charged.

Did Startline act unfairly or unreasonably in some other way?

I haven't seen anything to make me think Startline acted unfairly or unreasonably in some other way.

### **My final decision**

For the reasons explained above I don't uphold Mr C's complaint about Startline Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 December 2023.

Andrew Burford  
**Ombudsman**