

## **Complaint**

Mr G complains that Advantage Finance Ltd (“Advantage Finance”) unfairly entered into a hire-purchase agreement with him. He’s said he was the monthly payments for the agreement weren’t affordable and so he shouldn’t have been accepted for it.

## **Background**

In June 2021, Advantage Finance provided Mr G with finance for a used car. The cash price of the vehicle was £11,700.00. Mr G paid a deposit of £900 and entered into a hire-purchase agreement with Advantage Finance to cover the remaining £10,800.00.

The loan had interest, fees and total charges of £8,895.20 (comprising of interest of £8,370.20, an acceptance fee of £325 and an option to purchase fee of £200), and the total amount to be repaid of £19,695.20 (not including Mr G’s deposit) was due to be repaid in 59 monthly instalments of £324.24 followed by 1 final payment of £524.92.

Mr G’s complaint was considered by one of our investigators. She didn’t think that Advantage Finance had done anything wrong or treated Mr G unfairly. So she didn’t recommend that Mr G’s complaint should be upheld. Mr G disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr G’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr G’s complaint. I’d like to explain why in a little more detail.

Advantage Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Advantage Finance needed to carry out proportionate checks to be able to understand whether Mr G could make him payments in a sustainable manner before agreeing to lend to him. And if the checks Advantage Finance carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

Advantage Finance says it agreed to this application after it completed an income and expenditure assessment on Mr G. During this assessment, Mr G provided details of his monthly income and this is cross-checked against information held by credit reference agencies on the funds Mr G received into his account each month.

Advantage Finance says it also carried out credit searches on Mr G which showed some previous adverse credit information in the form of defaulted accounts and county court judgments ("CCJ"). But these were historic and while most of these had been settled, I think that it's fair to say, at least one, outstanding balance remained.

In any event, in Advantage Finance's view, when the amount Mr G already owed plus a reasonable amount for his living expenses, based on statistical data, were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr G says he was already struggling at the time and that these payments were unaffordable.

I've thought about what Mr G and Advantage Finance have said.

The first thing for me to say is that much like our investigator, I don't think that the checks Advantage Finance carried out did go far enough. Advantage Finance's searches showed that Mr G had had previous difficulties with credit. In my view, Advantage Finance needed to take further steps to verify Mr G's actual living costs, given what the credit search showed in order for its checks to have been proportionate.

As Advantage Finance didn't carry out sufficient checks, I've gone on to decide what I think Advantage Finance is more likely than not to have seen had it obtained further information from Mr G. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected Advantage Finance to have had a reasonable understanding about Mr G's regular living expenses as well as his income and existing credit commitments.

I've considered the information Mr G has provided us with. To be clear, I'm not going to carry out a forensic analysis of Mr G's bank statements or order to 're-underwrite' this loan sometime after the event. I'm simply going to consider whether it is more likely than not Advantage Finance will have made a different decision (on whether to lend to Mr G) if it had obtained the missing information that I think it should have here.

Having considered the information provided, I'm satisfied that it does appear to show that when Mr G's committed regular living expenses and existing credit commitments are deducted from his monthly income at the time, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I appreciate that Mr G has said that he was overdrawn at the time. But I don't think that this in itself means that Advantage Finance shouldn't have lent to him. This is especially the case as it wasn't Advantage Finance's responsibility to monitor Mr G's overdraft usage.

Furthermore, as obtaining bank statements wasn't the only way for Advantage Finance to find out about Mr G's living expenses, I'm not persuaded that any gambling is particularly relevant here – this is particularly as Mr G received a vehicle (which he couldn't gamble) rather than cash funds. Therefore, I'm not persuaded that Advantage Finance carrying out further checks here would have resulted in it making a different lending decision.

So overall and having carefully considered everything, while I don't think that Advantage Finance's checks before entering into this hire-purchase agreement with Mr G did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have

prevented Advantage Finance from providing these funds, or entering into this agreement with him.

I'm therefore satisfied that Advantage Finance didn't act unfairly towards Mr G when it agreed to provide the funds and I'm not upholding Mr G's complaint. I appreciate that this will be very disappointing for Mr G. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr G's complaint, I would remind Advantage Finance of its obligation to exercise forbearance and due consideration (bearing in mind what Mr G now says about his financial position) in the event that Mr G experiences difficulty making the payments due on the agreement.

### **My final decision**

My final decision is that I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 February 2024.

Jeshen Narayanan  
**Ombudsman**