

The complaint

Mrs I complains that Startline Motor Finance Limited was irresponsible when it granted her credit for the purchase of a car.

What happened

Mrs I purchased a car through a dealer and Startline financed the credit for the purchase of the car. The finance agreement was entered into in August 2021. The cost of the car was £15,500 and Mrs I paid a deposit of £99. The car finance agreement was for the sum of £15,401 over a 60-month term. Mrs I was required to make monthly repayments of around £421, the final instalment was around £431. Mrs I settled the agreement in August 2023, earlier than the proposed term.

Mrs I complained to Startline about the lending but it didn't uphold her complaint, it said it carried out reasonable checks and those checks showed Mrs I could afford the repayments on the agreement. Unhappy with that response, Mrs I referred her complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator didn't think Startline had treated Mrs I unfairly by providing her with credit. Mrs I disagreed, she said the information Startline has relied on is incorrect as she didn't live with parents and wasn't self-employed at the time.

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.

Startline will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We've set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don't think it is necessary to set it all out in this decision.

In summary, Startline needed to ensure that Mrs I could afford to make his repayments on the agreement when it fell due throughout the term of the agreement. The relevant rules and regulations don't prescribe what checks need to be carried out, but the checks need to be reasonable – taking into account the specific circumstances of the consumer.

Startline has provided Mrs I's credit application from the time. It says it verified the income she declared using credit reference agency information – something which it is entitled to do. From what I can see on the application, Mrs I declared a net income of £4,000, that she was married and had been self-employed for over six years. Startline has also said it searched Mrs I credit file and although she had historic adverse information showing on her credit file, she was up to date on the repayments of her active accounts and there was no recent evidence of financial difficulties. I'm mindful Startline hasn't provided the results of its search, only a summary of what it found.

Mrs I had disputed the information Startline has presented. She says she wasn't self-employed on a net monthly income of £4,000 but was on benefits and couldn't earn more than £130 per week. To better understand Mrs I financial circumstances at the time, she has provided copies of a joint bank statement for an account she shares with her husband and has also provided a copy of her credit file. Startline has said when it verified Mrs I's declared income, the result suggested what she declared was accurate although it couldn't say which account it conducted the check on – her sole account or the joint account with her husband. This service has asked Mrs I for the bank statements for her sole account, but she has been unable to provide it. She has said monies from her sole account were transferred to her joint account.

There is an argument here that because Mrs I's application declared she was self-employed, Startline should have taken its income verification beyond the credit reference agency check.

Having reviewed all the information provided in this case, I can see Mrs I did have some adverse information on her credit file – all of which were historic. The most recent default on her credit file was in March 2020 – nearly 18 months before this agreement began. I'm also mindful many of the defaulted agreements had been settled and the ones with outstanding balances appeared to be reducing. Mrs I also had some active accounts, and these were all showing as being up to date. I don't think Mrs I's credit file shows she was under recent financial difficulties and the fact she had adverse information didn't mean Startline should have automatically declined her application in this case.

The joint bank statements Mrs I has provided shows benefit payments made into the account. On average these were around £1,200 per month. I can also see that there were large payments into the account. Mrs I has said her husband was self-employed and received self-employment grant, which I can see paid into the account. There weren't any concerning outgoings in the account that suggested financial difficulties.

I appreciate this was a joint bank account and Mrs I took out the credit agreement in her sole name, but it is reasonable to think Mrs I's husband contributed towards household bills as well. Mrs I hasn't given a breakdown her monthly expenses but it is evident from the joint bank statements that Mrs I and her husband's finances were intertwined as it appears they both received credit and made expenses on the account. From what I can see on the bank statements, there isn't anything that suggests Mrs I would have struggled to keep up with her repayments on the agreement. I can also see large transfers from what appears to be Mrs I's sole account. I say this because these are the account details provided on the application and I can see this account was transferring regularly into the joint account. For example, in on 7 August 2021, around £3,400 was transferred from this account. In June and July 2021, there were transfers totalling more than £8,000. Also, the presence of this account details on the application leads me to conclude that Startline likely verified the income into Mrs I's sole account through credit reference agencies. This would have given her sufficient disposable income to afford the loan repayments.

Mrs I did make a late repayment and I can see from Startline's contact notes that she contacted it to say the delay was because she was self-employed and only just got paid. The account was brought up to date within a reasonable time. I don't think Mrs I should have been declined the credit simply because she was on benefits and I'm mindful that even though she was on benefits, it's highly likely she had access to funds from her husband, which I think put her in a position to afford the credit repayments.

Overall, I don't think Startline has treated Mrs I unfairly.

My final decision

For the reasons given above, I don't uphold Mrs I's complaint or make an award against Startline Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I to accept or reject my decision before 4 June 2024.

Oyetola Oduola
Ombudsman