

## **Complaint**

Mrs C complains that Startline Motor Finance Limited (“Startline”) unfairly entered into a hire-purchase agreement with her. She’s said the monthly payments to the agreement were unaffordable and so she shouldn’t have been accepted for it.

## **Background**

In July 2017, Startline provided Mrs C with finance for a used car. The cash price of the vehicle was £3,750.00. Mrs C didn’t pay a deposit and entered into a 60-month hire-purchase agreement with Startline for the entire amount.

The loan had interest, fees and total charges of £2,453.20 (made up of interest of £2,443.20 and a credit facility fee of £10, which needed to be paid if Mrs C exercised her option to purchase the vehicle) at the end of the term. So the total amount to be repaid of £6,203.20 was due to be repaid in 59 monthly instalments of £103.22 followed by 1 final monthly payment of £113.22.

Mrs C’s complaint was considered by one of our investigators. He didn’t think that Startline had done anything wrong or treated Mrs C unfairly. So he didn’t recommend that Mrs C’s complaint should be upheld.

Mrs C 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 Mrs C’s complaint.

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

Startline needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Startline needed to carry out proportionate checks to be able to understand whether Mrs C could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Startline 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.

Startline says it agreed to this application after it completed an income and expenditure assessment on Mrs C. During this assessment, Mrs C provided details of her monthly income which it validated by obtaining a payslip from her. Startline says it also carried out credit searches on Mrs C which showed that she did have active commitments, which it says were being well maintained.

And as I understand it, Startline argues that when the amount Mrs C already owed plus a reasonable amount for Mrs C's living expenses were deducted from her monthly income the monthly payments were still affordable. On the other hand, Mrs C says that these payments were unaffordable.

I've thought about what Mrs C and Startline have said.

The first thing for me to say is that I don't think that the checks Startline carried out did go far enough. In my view, Startline needed to take further steps to get an appreciation of Mrs C's actual living costs.

As Startline didn't carry out sufficient checks, I have gone on to decide what I think Startline is more likely than not to have seen had it obtained further information from Mrs C. Given the circumstances here, I would have expected Startline to have had a reasonable understanding about Mrs C's regular living expenses as well as her income and existing credit commitments (which it already had).

To be clear, notwithstanding the debate between Mrs C and our investigator over what her statements actually showed, I'm not going to carry out a forensic analysis of Mrs C's bank statements in order to assess whether the loan payments were affordable. I'm simply going to consider what Startline is likely to have done if it had obtained the missing information, I think it should have done here.

Startline could have if it wanted to have asked for bank statements, or it could have instead asked for copies of bills etc to build this picture of Mrs C's living expenses. I think this is an important point for me to make because it's clear that Mrs C was using payday type lending and also making overpayments on some of her credit accounts. I simply wouldn't expect a lender to have known about this or gone into such granularity when the monthly payments involved here were only around £100 and Mrs C was being provided with an asset rather than cash.

Having considered what Startline needed to get a better understanding of, rather than what a forensic analysis of Mrs C's financial position would show, I think that Startline is likely to have concluded that when Mrs C's regular living expenses and the credit commitments on the credit search were deducted from her income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

This is particularly as Mrs C was married and was being provided with an asset which could well have benefitted her entire household. So I expect that her contribution to the household expenditure is likely to have flexed up and down in light of this commitment. I'd also suggest that although this in itself is not determinative of the payments being affordable, I do think that Mrs C making all of her payments in full and on time before settling the finance early is indicative of this.

I appreciate that my conclusions might not accurately reflect Mrs C's actual position at the time. But what I have to consider is what Startline ought to have known about at the time when it was making its decision on whether to lend to Mrs C. The truth is Startline did not know and would not have known about many of the items our investigator and Mrs C have been debating about. This is especially as they are disputing how bank statement information, which I don't think proportionate checks would have seen Startline obtain, should be interpreted.

Furthermore, as Mrs C chose to purchase a car at the time, which she was looking to obtain finance through this agreement to do and presumably in circumstances where she had already been turned down by more mainstream lenders, it is difficult for me to conclude that she would, in any event, have declared the full extent of her financial position, if probed for more information.

So having carefully considered everything, I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Mrs C could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that Startline would have declined to lend if it had found out the further information that I think it needed to here.

Overall and having carefully considered everything, while I don't think that Startline's checks before entering into this hire-purchase agreement with Mrs C did go far enough, I've not been persuaded that reasonable and proportionate checks would have prevented Startline from providing these funds, or entering into this agreement with her.

This means I've not been persuaded that Startline acted unfairly towards Mrs C when it lent to her and I'm not upholding the complaint. I appreciate that this will be very disappointing for Mrs C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

My final decision is that I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 13 March 2024.

Jeshen Narayanan  
**Ombudsman**