

## The complaint

Mr M's complaint is that STARTLINE MOTOR FINANCE LIMITED ("Startline") provided him with an unaffordable hire purchase agreement.

## What happened

Startline approved Mr M with a hire purchase agreement via a credit broker in April 2022. The capital amount lent was £13,400 which was repayable over 60 monthly instalments of around £355, and had a total repayable value, including interest, of around £21,300. Mr M didn't pay a cash deposit as part of this agreement.

Mr M complained to Startline in November 2022 saying the agreement had been irresponsibly lent. He said had Startline completed proportionate checks it would have identified he was in financial difficulties and that this lending was unaffordable for him. Mr M voluntarily surrendered the vehicle in November 2022, and it was recovered by Startline in December 2022. After the sale of the vehicle and with a recalculation of interest, Mr M still has an outstanding balance to pay.

Startline didn't uphold Mr M's complaint. It said as part of its checks it did identify historic and recent adverse information relating to Mr M's management of credit; but overall taking into account all of the information it obtained it concluded Mr M could sustainably afford the lending. It therefore maintained its position that its checks were proportionate and that it made a fair lending decision when providing Mr M with this agreement.

Unhappy with Startline's response Mr M brought his complaint to our Service for review. Our Investigator ultimately upheld the complaint. He considered reasonable and proportionate checks would have led Startline to conclude the lending wasn't sustainably afford for Mr M.

Startline didn't accept the outcome. It maintained its arguments that its checks were proportionate and that it made a fair lending decision. Startline asked for an Ombudsman's review so the complaint was passed to me to decide.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my provisional decision:

*"We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; both Mr M and Startline have been directed to this before.*

*Essentially Startline needed to take reasonable steps to ensure the lending it provided was responsibly lent to Mr M. The relevant rules, regulations, and guidance at the time of Startline's lending decision required it to carry out reasonable and proportionate checks. These checks needed to assess Mr M's ability to afford the credit being provided and repay it sustainably, without causing him financial difficulties or harm.*

*There isn't a set list of checks Startline needed to carry out, but they should be proportionate, considering things like the type, amount, duration, and total cost of the credit, as well as what it knew about Mr M's individual circumstances.*

*And it isn't sufficient for Startline to just complete proportionate checks – it must also consider the information it obtained from these checks to make a fair lending decision.*

*Startline has said it obtained details of Mr M's employment and validated his income to be around £1,530 using credit reference agency data. It's said it also completed a credit check to identify Mr M's existing lines of credit, and review his past and recent management of credit. Startline has said its checks identified Mr M would have over £1,000 per month available to cover essential living costs and discretionary spending, after taking into account payments to his existing credit commitments and this new agreement. It has also said it identified Mr M had been maintaining an existing hire purchase agreement up to around January 2022 with a similar monthly payment, and that it took confidence that this agreement, seemingly replacing the previous one, was therefore sustainably affordable. Startline concluded it made a fair lending decision when providing Mr M with this agreement.*

*I've carefully considered Startline's arguments; and although I'm not currently persuaded its checks were proportionate, I don't currently think proportionate checks are likely to have shown the lending decision was unfair.*

*I say this because contrary to Startline's interpretation of the information it obtained, I don't consider its checks suggested Mr M was managing his finances well. Startline has said the checks showed historic defaults from at least two years prior to this lending. I accept it's reasonable to consider these entries historic given the time that had passed, as the more recent information would have allowed Startline to identify and understand changes to Mr M's financial situation across the most recent two years leading to this lending event. But the information Startline has referred to also detailed Mr M had recent arrears on two mail order accounts in the months leading up to its lending decision.*

*Startline hasn't provided us with the results of its credit check, but Mr M has provided us with a copy of his full credit report. In the absence of Startline's evidence, I consider it reasonable to review Mr M's credit file to understand what Startline had likely seen at the time of its check.*

*Having reviewed the information on Mr M's credit report from around the time of Startline's lending decision, I can see three active credit cards with an average consistent utilisation above 90% in the months leading up to its decision. I've also identified one mail order account which had defaulted in July 2022, just three months after this lending was approved, suggesting it was already in at least one month's arrears at the point of Startline's check. And another was showing at around three consecutive months of arrears at the point of its check. This correlates with Startline's evidence that it had identified two mail order accounts in arrears.*

*This suggests that while there had been a period where Mr M may have been managing his finances well, there were now recent signs that he might be experiencing financial stress and he may not have been in a financial position where he could make at least minimum payments to stop accounts falling into arrears. Startline doesn't appear to have been overly concerned with this knowledge, stating that Mr M was maintaining other lines of credit, including credit cards, well. However, although historic, Startline was aware Mr M had previous experience of financial difficulties, and the evidence it had obtained suggested Mr M's finances may again be stressed.*

*Given the historic and recent management of credit that Startline's checks identified, I consider it needed to obtain a more detailed understanding of Mr M's financial position before lending to him. It needed to understand his overall financial circumstances by considering his regular non-discretionary spending, as well as validating his income and completing a credit check, as it had.*

*Startline could have looked to have done this by any way it saw fit, as the regulations it needed to follow aren't prescriptive. Our Investigator asked Mr M for his bank statements leading up to this line of credit being approved. It became apparent when Mr M provided the requested information that he had previously provided it to the credit broker at the application stage, however this doesn't appear to have been shared with, or requested by, Startline. In the absence of any contrary information, I consider the bank statements Mr M has provided allow me to obtain a reasonable understanding of his expenditure in the months leading up to this credit being approved, and his overall financial situation.*

*What I need to consider is what did Startline need to do in order to identify the information its checks didn't take account of – so, what were Mr M's regular living expenses and did his overall financial position appear to be able to support repayment of this loan. My review doesn't forensically analyse Mr M's statements in order to assess whether the monthly repayments were affordable, and I wouldn't expect Startline to do that either. But what I need to consider is what Startline, on balance, would more likely than not have identified had it obtained more information about Mr M's living expenses.*

*The information Mr M has provided doesn't suggest this agreement was sustainably unaffordable for him, at the time at least. I say this because taking into account the overall financial circumstances evidenced within Mr M's personal and business bank accounts, I'm not currently persuaded it suggested Mr M wouldn't have been able to cover the payments of around £350 a month.*

*I say this because I've seen regular monthly commitments debit the account for usual non-discretionary spending, such as insurances, payments to a council, utilities and subscriptions services. I've also seen multiple transactions in and out of the account, a number seemingly coming from other accounts in Mr M's name. There is a lot of money moved between accounts, suggesting further accounts and available funds elsewhere. The business bank account statements also show regular payments being made to and from a connected account, as well as a regular standing order being paid to an account in Mr M's name. Neither of the accounts we've been provided appear to have an overdraft facility, or to have been in an overdraft position across the months that have been provided. On considering the entries across both accounts, I'm not persuaded either suggests signs of financial difficulties.*

*So, I don't consider Startline would've had cause to question Mr M's ability to afford the payments under the hire purchase agreement. It's possible, but not certain, that had Startline considered the bank statements it may have reached a different conclusion. But I have to take into account that the rules Startline needed to follow aren't prescriptive; and checking Mr M's bank statements wasn't the only way it could have found out information about his living costs and therefore overall financial circumstances. It could have obtained evidence of payments or copies of bills, for example. And based on what I've seen, it's unlikely these alternative, possible checks would have shown Mr M wasn't in a position to sustainably repay the agreement.*

*In addition, I'm aware, as I've referenced above, that Mr M had a previous hire purchase agreement with a commitment of around £325 a month. I do consider as part of its overall assessment Startline could reasonably have taken a level of comfort that Mr M had been maintain this well, given its payment was for a relatively similar value.*

*While I accept Mr M says his financial circumstances were different to those that Startline validated and concluded at the time, and he may well have been in financial difficulties, I'm currently not persuaded that proportionate checks are likely to have identified this.*

*It therefore follows I'm currently minded to conclude Startline made a fair lending decision when providing Mr M with this agreement; and that it therefore doesn't need to take any further action in resolution of this complaint."*

Startline accepted my provisional decision; Mr M didn't. In summary he said:

- The information Startline ought reasonably to have obtained and that was provided to the credit broker suggested he was in financial difficulties.
- His credit limits were being utilised to high levels and he'd missed payments to some existing credit accounts at the time of the application.
- He was borrowing to make ends meet and Startline ought to have identified he wasn't a suitable candidate to lend to.
- The personal bank statements provided were for a joint account and much of the income was his partners.

### **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.

Having done so, I've not been presented with any new information or evidence which leads me to conclude I should depart from the findings reached within my recent provisional decision. I appreciate this will be disappointing to Mr M.

In summary, I do agree as previously set out that Startline's checks needed to be more detailed than they were, based on the recent and historic adverse information it had identified from the checks it completed. However, Startline could have looked to understand Mr M's financial situation via a number of methods as the regulations it needed to follow aren't prescriptive. On balance, I'm not persuaded more detailed checks in whichever form Startline would have chosen to complete them would reasonably have led to it coming to a different lending decision.

I say this because as I set out within my provisional decision, Startline's checks didn't need to be as detailed as reviewing Mr M's bank statements. And as it had already validated his income via an online tool, although I accept Mr M states this value wasn't reflective of his actual income, Startline was reasonably able to accept the information it obtained, and therefore look to review his expenditure. And I've already set out why I don't consider these further checks would more likely than not have shown Mr M couldn't sustainably afford to repay the agreement.

I don't doubt Mr M's testimony that he was in financial distress at the time of this lending decision; and that he was in a position where he was needing to cover credit commitments and expenditure with further borrowing. But based on what proportionate checks would more likely than not have led Startline to identify, I can't be satisfied it made an unfair lending decision when providing Mr M with this credit agreement.

Given the ongoing financial difficulties Mr M is in, I would remind Startline of its obligations in treating him fairly and sympathetically when engaging with him and looking to recover any outstanding balance still owed.

**My final decision**

For the reasons set out above my final decision is that I'm not upholding Mr M's complaint about STARTLINE MOTOR FINANCE LIMITED.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 June 2024.

Richard Turner  
**Ombudsman**