

The complaint

Mr S complains that N.I.I.B. Group Limited trading as Northridge Finance (Northridge) irresponsibly granted him a hire purchase agreement that he couldn't afford to repay.

What happened

My initial conclusions were set out in my provisional decision issued on 13 December 2024. In my provisional decision I explained how I intended to resolve the complaint. I said:

In January 2020 Mr S acquired a vehicle financed by a hire purchase agreement from Northridge. Mr S was required to make 59 monthly repayments of £368.57 and a final payment of £378.57. Including an advance payment of £200 and a part exchange of an existing vehicle amounting to £2,600. The total amount repayable under the agreement was £24,924.20. Mr S believes Northridge failed to complete adequate affordability checks. Mr S says that if it had it would've been clear the agreement wasn't affordable at the time.

Northridge disagreed. It said it carried out an adequate creditworthiness and affordability assessment which was borrower focused and proportionate. Statistical data verified an income of £41,000 a year and it said that the credit bureau data it received showed no existing financial commitments that would impair Mr S' ability to make his repayments. It felt that there was no indication of financial stress.

Our Investigator recommended that the complaint should be upheld. They thought Northridge's checks weren't proportionate in the circumstances and that had it completed proportionate checks at the time of sale the checks would have shown that the agreement wasn't affordable or sustainable for Mr S.

Mr S agreed with the outcome of the complaint but did not agree with the redress that was proposed. Mr S felt that the amount recommended by our Investigator for fair use of the vehicle was too high. Mr S provided detailed testimony as to his rationale for this, based on calculations of his income and expenditure at the time.

Mr S also disagreed with the amount that was awarded for distress and inconvenience, feeling that the pain and suffering he experienced warranted a higher award. Northridge also disagreed with our Investigator's opinion. Both parties asked for an Ombudsman to issue a final decision on the matter.

What I've provisionally 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.

Where evidence is incomplete, inconsistent, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr S' complaint. Northridge needed to ensure that it didn't lend irresponsibly as per the rules set out in the FCA's Consumer Credit Sourcebook (CONC). In practice, what this means is that Northridge needed to carry out proportionate checks to be able to understand whether any lending was affordable for Mr S before providing it.

In this case, there are two overarching questions that I need to answer to fairly and reasonably decide Mr S' complaint. These two questions are:

1. Did Northridge complete reasonable and proportionate checks to satisfy itself that Mr S would be able to repay his loan without experiencing significant adverse consequences?
 - If so, did it make a fair lending decision?
 - If not, would those checks have shown that Mr S would've been able to do so?
2. Did Northridge act unfairly or unreasonably in some other way?

Did Northridge complete a reasonable and proportionate affordability check?

Northridge was required to ensure it carried out adequate checks on Mr S' ability to sustainably afford the agreement. These checks had to be borrower-focussed and proportionate (see CONC 5.2A). What is considered proportionate will vary depending on the circumstances, such as (but not limited to): the total amount repayable, the size of the monthly repayments, the term of the agreement (CONC 5.2A.20 R), and the consumer's specific circumstances.

Northridge says that Mr S' application underwent credit and underwriting checks, and these didn't raise any concerns. His income was also statistically verified, and some employment details were obtained directly from Mr S. It felt that these searches were reasonable and proportionate in this scenario.

Northridge has provided a system screen shot of the credit file data it gathered for Mr S at the time of the sale. It shows that at the time of the application Mr S had several credit accounts, but none which showed any recent missed or late payments. Our Investigator has queried with Northridge whether any assessment was completed directly with Mr S about his outgoings. Mr S' testimony suggests that this did not take place, and Northridge has not responded to our Investigators queries with any further information on the topic. So, I'm satisfied that its most likely no detailed expenditure assessment was completed with Mr S at the point of sale.

As such I'm not satisfied that Northridge gathered a reasonable amount of information from Mr S about his expenditure prior to approving the finance. I understand Northridge made the decision to lend on the basis that his estimated disposable income was acceptable and that it found the risk this posed to itself as acceptable. But I'm not satisfied enough consideration was given to the personal risk posed to Mr S.

I want to be clear that I've considered Northridge's position about the number and type of checks that it did complete. And I understand that its searches attempted to approximate the affordability of the agreement based in part on Mr S' monthly income. However, given the size of the loan, the length of the agreement and the amount of lending Mr S already had I'm not satisfied that these checks adequately gathered a proportionate amount of information. They failed to answer how much Mr S actually had left to spend after his existing commitments.

Given the size of the lending, the monthly repayments, the length of agreement and the amount of finance that was present on Mr S' credit file at the time, I think it would have been proportionate for Northridge to have verified Mr S' expenditure. This would have included costs such as food, petrol and housing. Without knowing what his regular committed expenditure was Northridge couldn't have got a reasonable understanding of whether the agreement was affordable for his circumstances. Northridge needed to do more in the circumstances before agreeing to lend.

I'm satisfied Northridge didn't complete proportionate affordability checks, but this doesn't automatically mean it failed to make a fair a lending decision.

Did Northridge make a fair lending decision?

I've considered what Northridge would likely have found out if it had completed reasonable and proportionate affordability checks. I can't be certain what Mr S would have told Northridge had it asked about his regular expenditure. I don't think Northridge necessarily needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Mr S' statements three months prior to the finance being approved as an indication of what would most likely have been disclosed.

These statements show that Mr S' monthly income averaged at around £2,510. His average monthly expenditure was around £2,300. This includes credit commitments, housing, insurances, utilities, food, and petrol. It meant Mr S was left with around £200 in disposable income before paying towards the agreement. So, there simply wasn't enough disposable income left to afford the finance payments of £368.57 a month.

Taking these figures into account, it appears to show the agreement wasn't affordable for Mr S. For this reason, I'm not persuaded that Northridge acted fairly when approving the finance. I'm satisfied that if Northridge had completed proportionate checks, it would have likely revealed Mr S wasn't able to sustainably afford the repayments owed under the agreement. I don't think Northridge ought to have approved the lending on that basis.

Did Northridge act unfairly or unreasonably in some other way?

I'm not persuaded from the submissions made to date that Northridge acted unfairly or unreasonably in some other way. I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Please note that Mr S' complaint about data protection breaches does not form part of this complaint, as this was referred to Northridge after it issued its final response letter regarding the sale of the agreement.

Putting things right

As I don't think Northridge ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. But Mr S has had use of the vehicle, and it's my understanding that he is no longer in possession of the vehicle. I think it's fair that Mr S pays for that use, but I don't think that the monthly repayments under the agreement are a fair reflection of what fair usage for the vehicle should be. This is in part because a proportion of the repayments went towards repaying interest. I also think that any compensation should account for the fact that Mr S has already received a refund of £1,461 for a previous complaint regarding ancillary products attached to the agreement.

There isn't an exact formula for working out what fair usage ought to be. However, in deciding what's fair and reasonable, I've thought about the amount of interest charged on the agreement, the likely use Mr S had of the car and the costs he would likely have incurred to stay mobile if he'd never entered into this agreement. In doing so, I think a fair amount Mr S should pay is £280 for each month he's had use of the vehicle.

Unfortunately, this differs from the figure that our Investigator has recommended, and the one suggested by Mr S in his recent submissions. However, I'm confident that the figure I've proposed is both fair and reasonable, considering all the relevant circumstances of this complaint.

I do however understand that this figure will be a great disappointment to Mr S – who was hoping that the fair use amount would be reduced. I want to reassure Mr S that I've considered his submissions around this point carefully, but I can't agree to the figure that he's proposed. This is in part because his method of reaching a figure has been to calculate what he potentially could have afforded at the time. But any calculation must consider the inherent value of the vehicle that was used, and the actual amount of use during the period (amongst other factors). In putting things right, I can't ignore the fact that the vehicle Mr S obtained was used by Mr S for some time, and there is therefore an inherent loss of value in that vehicle which must be fairly acknowledged. I'm satisfied that the amount of £280 per month of use is a fair amount to acknowledge the use Mr S had of this particular vehicle.

Mr S has also disputed the £150 distress and inconvenience payment which our Investigator has recommended. Again, I want to acknowledge both his strength of feeling towards the award made and the detailed submissions he's provided about his personal circumstances and the impact the finance has had.

To award any compensation I'd need to be satisfied that the impact of Northridge's error was greater than just a minor inconvenience or upset. And it's clear that this is the case – Mr S has described how the emotional toll of this issue has been profound for him. He's described persuasively the stress and anxiety that has stemmed from the finance being unaffordable. He's also detailed how the maintenance of the agreement has impacted his mental health over the years he had the finance. Mr S has also provided submissions confirming that he is on Northridge's 'vulnerable care list' and has explained how he's provided Northridge with information concerning his mental health over the years. I've not seen evidence that disputes these details from Northridge but would welcome any submissions in response to this provisional decision.

I've also seen submissions from Mr S which make it clear that issues surrounding car finance have been a particular point of anxiety for him for some time, even before his relationship with Northridge began. So, it's quite clear that being provided with an unaffordable agreement has had a significant impact on Mr S and his own circumstances and vulnerabilities. Mr S has explained that the fear of losing the vehicle and failing to maintain his payments has given Mr S concerns around potential relapses and contributed to an overall deterioration in his mental health since taking out the finance in 2020.

But I must also be mindful of the fact that for some of the impact he's accounted for in his account it would not be fair or reasonable to hold Northridge responsible for. For example, upon surrender of the vehicle I can't say that it would be reasonable to hold Northridge responsible for Mr S' inability to continue using it for travel to appointments, family and work. The finance has ultimately been found to be unaffordable, and so I'm satisfied that it was appropriate at the time for the vehicle to be collected due to the inability for Mr S to maintain regular payments. I understand that surrendering the vehicle had a significant impact on Mr S, but I can't say that Northridge ought to have allowed Mr S to keep the vehicle indefinitely with the information it had available to it at the time.

So, in consideration of the evidence submitted I agree that more must be done to fully acknowledge the impact that Northridge's error has had on Mr S. I think that in the circumstances of Mr S' particular case, giving full consideration to Mr S' own plausible submissions about the matter, a payment of £350 in total would be a fairer reflection of the distress caused by Northridge's actions.

So, to put things right I intend to recommend that Northridge should:

- *End the agreement with nothing further to pay.*
- *Refund all the monthly payments Mr S made, including his deposit of £2,800 and less £280 per month Mr S had use of the vehicle.*
- *Account for the fact that Mr S has already received a refund of £1,461 for a previous complaint about the ancillary products attached to the agreement.*
- *If Mr S has paid more than the fair usage figure, Northridge should refund any overpayments, adding 8% simple interest per year* from the date of each overpayment to the date of settlement. Or:*
- *If Mr S has paid less than the fair usage figure, Northridge should arrange an affordable and sustainable repayment plan for the outstanding balance.*
- *Once Northridge has received the fair usage amount, it should remove any adverse information recorded on Mr S' credit file regarding this agreement.*
- *Pay Mr S £350 to acknowledge the impact its actions have made.*

**HM Revenue and Customs requires Northridge to deduct tax from the interest payment referred to above. Northridge must give Mr S a certificate showing how much tax it's deducted if he asks for one.*

My provisional decision

For the reasons I've explained, I intend to uphold this complaint in the manner set out above.

I asked for both parties to provide me with any further submissions they had before I issued my decision. Mr S provided a substantial amount of evidence concerning the way I intended to put things right. Northridge have not responded to my provisional 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.

I want to thank Mr S for the time and effort he has spent providing further evidence, testimony, and considerations regarding his complaint. I want to reassure Mr S that whilst I may not comment on everything that he's submitted, or every individual point that has been made, I have reviewed everything in detail. Whilst I've carefully considered all the information provided, my decision will focus on what I consider to be the crux of Mr S' complaint and the key evidence involved, which I will now respond to in turn.

Firstly, Mr S has provided further evidence and testimony to demonstrate that the agreement in question was unaffordable for him. Whilst I appreciate that his evidence further reinforces the outcome of the case, I'm already satisfied that the loan was unaffordable for Mr S and so I won't be commenting on this element of the complaint any further. The remaining considerations are about how best to rectify Northridge's error.

Mr S has provided evidence to demonstrate that his insurance lapsed in February 2024 due to financial difficulty, and that he was therefore unable to use the vehicle for the remaining months before it was collected in April 2024. And I'm persuaded by his point here - he's persuasively explained how this was due to no longer being able to afford the associated costs of running the vehicle any longer. I'm satisfied on the balance of the evidence received to date that Mr S appears to have had no real use of the vehicle for the last two months before it was collected. And so, I do feel that it's fair and reasonable to clarify that the end date of any redress calculation is when Mr S was no longer able to use the vehicle after his policy lapsed in February 2024.

There are however other aspects of restricted use which Mr S has detailed which I'm not persuaded should impact the redress considerations of this case. Mr S has provided Ministry of Transport (MOT) records to demonstrate his use of the vehicle was limited in his last year before its collection. I acknowledge there are various personal circumstances which resulted in his limited use during this time, and I want to thank Mr S for providing these details to support my investigation. But I must also acknowledge the overall use Mr S has had. And the MOT history Mr S has provided suggests he travelled approximately 60,000 miles in the vehicle. When averaged this comes to approximately 15,000 miles a year. MOT data shows the average UK mileage is currently around 7,000 to 8,500 miles per year depending on various factors such as the type of vehicle. So, I'm not persuaded that it would be fair or reasonable for me to conclude Mr S did not have adequate benefit of the vehicle even though I do accept that various circumstances meant his use significantly reduced within the last year of possession.

Mr S has also raised various points around the eventual collection and auction of the vehicle by Northridge – including the VAT deductions made, the recovery costs and a lack of engagement over the potential of a private sale. Mr S feels these factors have all resulted in him being financially disadvantaged. I appreciate his thoughts and submissions on this matter, but I'm not satisfied that these considerations are necessarily impactful to the outcome of his complaint at this stage. I say this because the redress I'm proposing effectively ends the finance that these matters are associated with and asks Mr S to only pay a fair usage figure which is in no way impacted by the sale Northridge ultimately achieved. It also essentially removes any costs and VAT charges Mr S has concerns about.

Regarding the private sale, whilst I appreciate that Mr S has provided an advertisement for a car of a similar specification this is ultimately only evidence of an advertised price – with no guarantee that such a price would have been achieved had he been able to proceed with a private sale. I've also seen submissions received during the life of the complaint where Mr S has contradictorily suggested he wanted to keep the vehicle rather than sell it. I can't say that Northridge were acting unreasonably when it explained that it would be collecting the vehicle instead of offering a repayment plan. As explained in my provisional decision, I'm satisfied that it was appropriate at the time for the vehicle to be collected due to the inability for Mr S to maintain regular payments. Whilst I would have expected Northridge to respond to Mr S' communications more promptly, I can't be satisfied that this ultimately caused a financial loss for Mr S. I'm also satisfied that I've addressed previously how these failures contributed to the stress and anxiety that Mr S was feeling at the time.

Mr S has also explained that he obtained two loans along with parental support to maintain his agreement. In short, he feels that any redress should include consideration of these loans as a loss that Northridge caused. I accept that the finance he held with Northridge was more than likely a contributing factor in taking out these loans. But I also must consider that the amounts he borrowed came to almost £15,000. I'm not persuaded from the evidence Mr S has provided to date that this amount was solely intended to address the car finance in question. As such I don't think it would be fair or reasonable to incorporate these loans into

any redress – I’m not persuaded that any potential loss from these loans can be directly attributed to Northridge’s actions in the circumstances of this specific case.

Mr S has also contested that his car insurance is another loss which has not been accounted for in my provisional decision. He feels that Northridge insisted on the insurance as part of taking out the finance and so if he’d not been provided with the finance, he wouldn’t have had to incur this cost. I do understand this viewpoint – but when trying to put things right for Mr S I must accept the reality that Mr S did still have use of the vehicle. Motor insurance is a necessary requirement to drive a vehicle on UK roads. I’m not persuaded that Northridge is responsible for the cost of Mr S’ insurance and I can’t say that Mr S should be refunded it due to any affordability issues with the loan. Similarly, Mr S has disputed “essential maintenance” costs that he had to pay towards the vehicle – but by his own admission these were essential to maintain the vehicle and so were a necessary part of running the vehicle for the period he used it. I’m not persuaded that these costs should be refunded either.

Mr S has provided further detail around the partial refund he received from a third party for ancillary products which were incorporated into the loan. He’s of the opinion that my direction to Northridge to take this partial refund into account will mean he ends up paying for the ancillary products twice. But I can’t see how this would be the case, as the only amount Mr S will end up paying is the fair use figure I’ve suggested. And that figure is based on the inherent value of the vehicle rather than the total finance owed. Mr S has also contended that around £748 worth of ancillary product costs were never refunded to him. But again, the form of redress I’ve proposed is based on the inherent value of the vehicle he used, not the finance itself. I’m satisfied that any additional sums Mr S has potentially paid above the fair use figure will ultimately be refunded.

Mr S has also highlighted that this refund was not provided directly by Northridge, but I’m not convinced that this makes a material difference to the fact that Mr S has still received the refund. Put simply, depending on the amount of the total finance that Mr S has already repaid it would be unfair to ask Northridge to ignore this partial refund. Correspondingly, Mr S has concerns that Northridge will be benefitting from the overall outcome of this case. But my role here is to make an award that recognises the impact Northridge’s errors had on Mr S. It is not my role to punish Northridge or ensure that it has made a loss because of this complaint.

This all then leads on to Mr S’ concerns over how the fair use figure has been reached. Again, I don’t want to repeat what I’ve already stated in my provisional decision – but I will reiterate that such a calculation is not based on what Mr S could afford at the time, but instead what is a fair amount to charge Mr S for the use he had of the vehicle. I’m satisfied that the figure I’ve reached fairly acknowledges the use Mr S had of the vehicle, and the inherent value such transportation had.

Mr S has also made further submissions relating to Northridge’s treatment of him as a vulnerable customer, and its obligations towards treating him fairly. He feels that further consideration of its actions and the impact it has had on Mr S needs to be considered. I want to reassure Mr S that I have reviewed his submissions on this matter carefully and in detail. And I agree that the evidence provided shows Northridge ought to have done better when dealing with Mr S as a customer. But I’m also satisfied that my recommendation for Northridge to pay Mr S £350 in distress and inconvenience is in part a recognition of such errors and the impact they had on Mr S. I’m satisfied that this is a fair amount to acknowledge the impact Northridge was directly responsible for, as detailed in my provisional decision.

Overall, I’m satisfied that the outcome I’ve already proposed is fair and reasonable. With the clarification that Mr S’ use of the vehicle effectively ended in February 2024.

Putting things right

To put things right N.I.I.B. Group Limited trading as Northridge Finance (Northridge) should:

- End the agreement with nothing further to pay.
- Refund all the monthly payments Mr S made, including his deposit of £2,800 and less £280 per month Mr S had use of the vehicle (his use ended in February 2024 when his motor insurance policy lapsed).
- Account for the fact that Mr S has already received a refund of £1,461 for a previous complaint about the ancillary products attached to the agreement.
- If Mr S has paid more than the fair usage figure, Northridge should refund any overpayments, adding 8% simple interest per year* from the date of each overpayment to the date of settlement. Or:
- If Mr S has paid less than the fair usage figure, Northridge should arrange an affordable and sustainable repayment plan for the outstanding balance.
- Once Northridge has received the fair usage amount, it should remove any adverse information recorded on Mr S' credit file regarding this agreement.
- Pay Mr S £350 to acknowledge the impact its actions have made.

*HM Revenue and Customs requires Northridge to deduct tax from the interest payment referred to above. Northridge must give Mr S a certificate showing how much tax it's deducted if he asks for one.

My final decision

For the reasons I've explained, I uphold this complaint in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 March 2025.

Paul Clarke
Ombudsman