

Complaint

Miss T 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 October 2021, Startline provided Miss T with finance for a used car. The cash price of the vehicle was £8,000.00. Miss T paid a deposit of £1,500.00 and entered into a 32-month hire-purchase agreement with Startline for the remaining £6,500.00 she needed to complete her purchase.

The loan had interest, fees and total charges of £1,710.32 (made up of interest of £1,700.32 and an option to purchase fee of £10). So the total amount to be repaid of £8,210.32 (not including Miss T’s deposit) was due to be repaid 31 monthly instalments of £256.26 followed by a final repayment of £266.26.

Miss T’s complaint was considered by one of our investigators. She didn’t think that Startline had done anything wrong or treated Miss T unfairly. So she didn’t recommend that Miss T’s complaint should be upheld.

Miss T 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 Miss T’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss T’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 Miss T 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 Miss T. During this assessment, Miss T provided details of her income and employment details. Startline says it verified Miss T's income with copies of bank statements that it asked her to provide. It says it also carried out credit searches on Miss T which showed that she had low outstanding balances on her active credit commitments, which it says were being well maintained. But she had also defaulted on five credit accounts although the most recent of which took place over three years prior to this application.

As I understand it, Startline argues that when reasonable repayments to the amount Miss T already owed plus a reasonable amount for Miss T's living expenses were deducted from the funds she received each month the monthly payments for this agreement were affordable. On the other hand, Miss T says that these payments were unaffordable.

I've thought about what Miss T and Startline have said.

The first thing for me to say is that it's clear Startline obtained a significant amount of information from and about Miss T before deciding to lend to her. However, I don't think that it was reasonable for Startline to use living costs based on statistics for Miss T, given her previous difficulty with credit.

In my view, Startline having a copy of Miss T's bank statement in these circumstances, means that it ought to have considered this information to ascertain Miss T's actual living costs, rather than relying on estimates of this. Startline did not do this so I've taken a look at the bank statement Miss T provided at the time with a view to getting an idea of what her actual regular living costs were.

Having done so, the information in the bank statement appears to show that when Miss T's committed regular living expenses are combined with her credit commitments and then deducted from the funds that she received, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I appreciate that Miss T believes that Startline shouldn't have lent to her because she was a student in receipt of a student loan. I've thought about what Miss T has said. However, it's fair to say that Miss T wasn't just in receipt of a student loan. The bank statement clearly shows that Miss T was also in employment – albeit part time.

I'm also mindful that Miss T was also able to pay a significant upfront deposit, which equated to more than six months' worth of monthly payments and the bank statement supplied showed that she had well in excess of the amount of the monthly payment left in her account at the end of the month.

Bearing in mind all of this, I don't think that it is unreasonable for Startline to have lent to Miss T even though she was a student and in receipt of a student loan.

I accept it's possible that Miss T's circumstances at the time may have been worse than what the information she has provided showed. I know she's referred to having higher monthly expenditure than that calculated by our investigator. But the majority of what Miss T has referred to is non-committed expenditure.

I also have to consider Miss T's most recent submissions in the context that they are being made in support of a claim for compensation. Whereas at the time of sale, at least, Miss T clearly wanted the car she had chosen and it's fair to say that any explanations she would have provided are more likely to have been with a view to persuading Startline to lend to her, rather than highlighting any unaffordability.

I don't think that Miss T would have pushed for her non-committed expenditure to be included as payments she would continue to have to make each month going forward and looked to have shown that the monthly payments for the agreement were unaffordable, in circumstances where the information obtained suggests that Startline was reasonably entitled to consider that they were.

So having carefully considered everything, I'm satisfied that the available information makes it appear, at least, as though Miss T 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 applied further scrutiny to the information that it had obtained from Miss T.

In reaching my conclusions I've also considered whether the lending relationship between Startline and Miss T might have been unfair to Miss T under section 140A CCA.

However, for the reasons I've explained, I don't think Startline irresponsibly lent to Miss T or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I've not been persuaded that Startline applying further scrutiny to the information it obtained about Miss T would have prevented it from providing these funds, or entering into this agreement with her. And I'm therefore not upholding this complaint.

I appreciate that this will be very disappointing for Miss T. 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 Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 27 November 2024.

Jeshen Narayanan
Ombudsman