

The complaint

Ms M complains that Secure Trust Bank Plc trading as Moneyway was irresponsible in its lending to her. She wants her hire purchase agreement rescinded with a deduction for fair use of the car.

Ms M is represented by a third party but for ease of reference I have referred to Ms M throughout this decision.

What happened

Ms M entered into a hire purchase agreement with Moneyway in February 2021 to finance the acquisition of a car. The agreement term was 42 months and Ms M was required to pay a total amount of £24,065.54 through 41 monthly instalments of £570.37 and a final monthly instalment of £580.37. Ms m said that Moneyway didn't carry out reasonable affordability and credit worthiness checks before the lending was provided.

Moneyway said that when Ms M applied for the finance, she said her monthly income was £2,361 and this was confirmed by her bank statements. It said it assessed Ms M's reasonable income and expenditure using information from her credit file and current account and this indicated that the information she had provided was likely correct. Based on its assessment, Moneyway estimated Ms M's monthly expenditure as £1,341. It said this showed the agreement to be affordable and also said that its credit check didn't raise any concerns about how Mis M was running her existing credit commitments.

Ms M referred her complaint to this service.

Our investigator thought that Moneyway undertook reasonable checks before the lending was provided. He noted that there was some adverse information recorded on Ms M's credit file, but this wasn't recent, and Ms M hadn't experienced any recent issues making her repayments. He considered the information received through the checks and found this suggested the finance to be affordable. Therefore, he didn't uphold this complaint.

Ms M didn't accept our investigator's view. She requested details of the information relied on. Our investigator provided the information he had relied on, but Ms M said that Moneyway wasn't being transparent and requested that her complaint be escalated for an ombudsman 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to

carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the finance was provided, Moneyway gathered information about Ms M's income and carried out a credit check. It said that Ms M declared a monthly income of £2,361 and that she was living with parents with no dependents. Moneyway said it checked Ms M's income and expenses against her bank statements and credit file data. The account notes from the time record that Ms M said she was living with a family member and was asked to provide three months of bank statements. The notes state that the bank statements were reviewed and Moneyway has said the income figure of £2,361 was confirmed. However, evidence of rent payments wasn't identified.

I have looked at the credit check results and these show that Ms M had experienced previous financial difficulties, with three defaults recorded. However, these were historic and as she appeared to be maintaining her repayments towards her accounts in the months leading up to her finance application, I do not find that Ms M's credit check meant the lending shouldn't have been provided or that further checks were needed. While the credit report showed outstanding balances on Ms M's defaulted accounts, Moneyway's system notes from the time of the application state that the debt management companies confirmed Ms M's accounts had been closed.

In this case, I think the checks carried out before the lending was provided, including reviewing Ms M's bank statements, were reasonable.

To assess whether the lending should have been provided, I have considered the information Moneyway received through its checks to consider whether the lending should have been considered affordable.

In the system notes Ms M's monthly income is recorded as £1,800, although I note the comment that Ms M's bank statements confirmed an income figure of £2,361. Ms M's credit check showed she had eight active accounts at the time, including a hire purchase and credit card accounts. The monthly recorded repayments for these credit commitments (including repayments for the credit cards based on the credit limits) were around £354. Ms M had provided information about her housing situation and her rent, but the rent wasn't identified in her statements. However, an amount of £150 was included. Additional to this Ms M's credit report shows repayments for insurance of £78. This gives total costs, before general living costs, of around £582.

Moneyway included an estimate of Ms M's cost of living based on third party data. I do not find this approach unreasonable and without evidence to suggest the amount included wasn't reasonable, I find that the information gathered by Moneyway suggested the repayments due under the hire purchase agreement were affordable for Ms M. I say this because her total costs including the Moneyway repayments and the rent amount (which wasn't identified in her accounts) would be around £1,455 which appears affordable based on both her declared income of £1,800 and the increased figure confirmed by Moneyway.

I can see that Ms M had a payment under the agreement returned in January 2022, but other than that she maintained her payments until August 2022. At this time the contact notes record her saying she has had surgery and been out of work. This suggests that Ms M's circumstances had changed since she applied for the finance. Further evidence was then provided about the difficult personal circumstances Ms M had experienced.

While I do not underestimate the extremely difficult time Ms M has experienced, I have to assess this complaint on the evidence available to Moneyway at the time the agreement was

provided. As I find it carried out reasonable checks before the lending was provided and these suggested the lending to be affordable, I do not find I can uphold this complaint.

I've also considered whether Moneyway acted unfairly or unreasonably in some other way given what Ms M has complained about, including whether its relationship with Ms M might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Moneyway lent irresponsibly to Ms M or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

While I am not upholding this complaint, given Ms M's circumstances I would expect Moneyway to treat her positively and sympathetically in regard to the collection of any outstanding balance.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 15 January 2025.

Jane Archer
Ombudsman