

The complaint

Miss P complains that Specialist Motor Finance Limited (SMFL) was irresponsible in its lending to her. She wants all interest and charges she has paid under her hire purchase agreement refunded along with 8% simple interest and any adverse information removed from her credit file.

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

What happened

Miss P was provided with a hire purchase agreement by SMFL in May 2018 to finance the acquisition of a car. The agreement term was 42 months and the total amount repayable under the agreement was around £10,379. Miss P was required to make 41 monthly repayments of around £247 followed by a final repayment of around £257. Miss P said that at the time the finance was provided she had other active accounts, had accounts that had been passed to debt recovery companies, and had missed payments.

SMFL said that when Miss P applied for finance, she declared that she was employed with a net monthly income of £3,832 and that she was living in rented accommodation. It said it verified Miss P's income with a credit reference agency affordability product. It also carried out a credit check which it said reported Miss P as having 13 active accounts all of which were up to date, no defaults and one county court judgement recorded more than four years before the application. It said that based on its position in the lending market it wasn't unusual for it to see some adverse information on a credit file. It didn't accept that the lending was unaffordable or irresponsible.

Our investigator considered the evidence that had been provided and thought that SMFL had undertaken reasonable checks before lending. He thought the information gathered didn't raise concerns that the lending might not be sustainably affordable for Miss P. Therefore, he didn't think that SMFL was wrong to approve the finance.

Miss P didn't agree with our investigator's view. She said that her credit file would have shown that she was struggling financially and that her bank statements should have been reviewed so that SMFL had a clear understanding of her financial situation.

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, SMFL has said that it gathered information about Miss P's employment and income and her residential status. Miss P was recorded as being employed with a net monthly income of £3,832 and renting privately. Her income was verified through a credit reference agency tool and estimates were used for her rent and cost of living. A credit check was undertaken which showed she had 13 active accounts with balances outstanding on seven of these. The accounts were all reported as being up to date with only one missed payment recorded in the previous few months. Miss P had a county court judgment recorded with a date of January 2014. Her monthly credit commitments were identified as around £450.

The credit report Miss P has provided shows defaulted accounts. However, these are all reported with default dates after this lending was provided, apart from one reported in March 2018. The March 2018 default wasn't noted in SMFL's checks and so I can't say it would have been aware of this. Given the timing it is possible this wasn't reported on Miss P's credit file until after SMFL's check took place. I appreciate the comment Miss P has made about accounts not immediately defaulting and adverse information being recorded in the preceding months, but SMFL did carry out a credit check and aside from one missed payment there was no adverse information recorded in the months leading up to the application.

I note there was a county court judgment recorded but this was historic and considering the other data that was received, I do not find that Miss P's credit check raised concerns that meant the lending shouldn't have been provided or that further checks were needed.

Miss P's declared income was validated through a credit reference agency check and noting the size of the repayments compared to Miss P's declared income I think this was reasonable. While estimates were used for Miss P's expenses, in this case, noting Miss P's disposable income after deducting her existing credit commitments and those required under this new agreement, I do not find this approach unreasonable.

Taking everything into account I think the checks carried out before the finance was provided were reasonable. As these didn't suggest that Miss P was experiencing financial difficulty at that time, or that the agreement wouldn't be affordable for her, I do not find I can say SMFL was wrong to provide this lending.

I've also considered whether SMFL acted unfairly or unreasonably in some other way given Miss P's complaint, including whether its relationship with her might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think SMFL lent irresponsibly to Miss P 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.

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 Miss P to accept or reject my decision before 14 February 2025.

Jane Archer

Ombudsman