

## **The complaint**

Mr W complains that N.I.I.B. Group Limited trading as Northridge Finance was irresponsible in its lending to him. He wants all interest, fees and charges paid under the hire purchase agreement refunded along with 8% interest.

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

## **What happened**

Mr W entered into a hire purchase agreement with Northridge Finance in August 2019 to finance the acquisition of a car. The agreement had a 49-month term and required 48 monthly repayments of £277.51 followed by a final repayment of £5,725. The total amount repayable was £19,545.48.

Mr W said that adequate checks weren't carried out before the finance was provided and the details of the agreement weren't fully explained. He said the monthly repayments were unaffordable and had an adverse effect on his family life. He said he struggled to make his repayments and kept needing to rely on an unplanned overdraft.

Northridge Finance provided a final response to Mr W's complaint dated 9 May 2024. It said a credit assessment was carried out that considered Mr W's ability to afford the borrowing. It said its checks showed that Mr W had an annual income of £36,000 and no existing credit commitments that might impair his ability to repay the finance.

Mr W referred his complaint to this service.

Our investigator noted the checks that Northridge Finance undertook but thought that given the size and term of the lending and the amounts repayable, that Northridge Finance should also have got an understanding of Mr W's expenditure to ensure the agreement was affordable for its duration. However, she thought that had further checks taken place then these wouldn't have shown the agreement to be unaffordable. Therefore, she didn't uphold this complaint.

Mr W didn't agree with our investigator's view. He said his disposable income after making the payments due under the agreement wasn't enough given he had two children to support. He also said that the view didn't address his reliance on his overdraft and that his continued use of his overdraft should have raised concerns.

Our investigator responded to Mr W's comment saying that she had included all regular costs such as food, travel and money spent at supermarkets which would include the costs of supporting Mr W's children. She also noted that Mr W jointly cared for his children with his partner who also shared the bills. Regarding Mr W's overdraft usage our investigator said that Mr W wasn't exceeding his limit or struggling to pay his creditors or regular expenses and appeared to be using the overdraft for its intended purpose. Therefore, she didn't think Mr W's overdraft usage should have raised concerns about his ability to repay the finance provided by Northridge Finance. Based on this she explained that her view hadn't changed,

and she didn't uphold this complaint.

Mr W asked for his complaint to be referred to an ombudsman.

### **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, Northridge Finance gathered information about Mr W's employment and income. He declared that he was employed with an annual income of £36,000. It also carried out a credit check. The credit check showed Mr W had eight active accounts that had no adverse information recorded. He had two mortgage accounts with monthly instalments totalling around £1,171 and a personal loan with monthly repayments noted as £32. Mr W also had a credit card account with a zero balance.

Considering the information received through the credit check, I do not find that this raised concerns that Mr W was struggling to manage his existing credit commitments. However, noting the size of his credit commitments and considering the size and term of the loan I think that it would have been reasonable for Northridge Finance to have asked for further information about Mr W's expenses to ensure that the lending would be affordable over the loan term.

Northridge Finance wasn't required to request copies of Mr W's bank statements, but I have considered the information these contain, along with the other evidence provided, to understand what Northridge Finance would likely have identified had further checks been undertaken.

Looking through Mr W's bank statements these show his monthly net income in the three months leading up to the agreement (May, June and July 2019) to average around £2,300. This is in line with the annual income figure Mr W declared. However, this average includes a larger income figure for May 2019 and removing this would give an average income figure of around £2,100.

Mr W has said that he paid for certain utilities and his partner paid for others. His bank statements show he was paying one of the mortgages (around £774 a month) as well as communication and media contracts, insurance and energy costs. Additional to these costs Mr W was paying his general living costs such as food, fuel and other costs of running a car. Taking this all into account resulted in average monthly costs of around £1,580. Based on the reduced monthly income figure, this still suggested the repayments due under the Northridge Finance agreement were affordable.

I note Mr W's comment about him having limited disposable income after making the payments. But, as the expenses calculation took into consideration his food and other general living costs, I do not find that the remaining disposable income was such that the agreement should have been considered unaffordable.

I have also considered Mr W's comment about his overdraft usage but having looked through his bank statements I can see that while he did make use of his overdraft, he regularly cleared this when he received his salary and remained in credit for periods within the months. The credit check didn't flag this as an issue and based on the information I have seen I do not think the Mr W's overdraft usage in the months leading up to his application should have raised concerns that meant the lending shouldn't have been provided.

I've also considered whether Northridge Finance acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether its relationship with Mr W might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Northridge Finance lent irresponsibly to Mr W or otherwise treated him 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 Mr W to accept or reject my decision before 8 January 2025.

Jane Archer  
**Ombudsman**