

## **Complaint**

Miss C complains that N.I.I.B. Group Limited (trading as “Northridge Finance”) unfairly entered into a hire-purchase agreement with her. She’s said that the monthly payments to this agreement were unaffordable and better checks would have shown this.

## **Background**

In January 2018, Northridge Finance provided Miss C with finance for a used car. The purchase price of the vehicle was £10,184.98. Miss C paid a cash deposit of £2,000.00, received a part-exchange value of £1,054.00 for her existing vehicle and sought finance for the remaining £7,130.98 needed to complete the purchase.

The loan had interest, fees and total charges of £1,465.74 (comprising of interest of £1,455.74 and an option to purchase fee of £10), and a 48-month term. This meant that the balance payable of £8,596.72 was due to be repaid in 47 monthly instalments of £178.89 and then a final instalment of £188.89.

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

Miss C 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.

Having carefully considered everything, I’m not upholding Miss C’s complaint. I’ll explain why in a little more detail.

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 C’s complaint.

Northridge Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Northridge Finance needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss C before providing it.

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.

Having carefully thought about everything I've been provided with, I'm not upholding Miss C's complaint. I'd like to explain why in a little more detail.

Northridge Finance says it agreed to this application after Miss C provided details of her employer and how long she'd been employed for. It says it also carried out credit searches on Miss C which showed some outstanding balances although these were low. And it considered when reasonable payments based on the amount Miss C owed to existing creditors were deducted from estimates of her income based on her employer, she would have enough to make the repayments to this agreement as well as her other reasonable living costs.

On the other hand, Miss C says the monthly payments were unaffordable.

I've thought about what Miss C and Northridge Finance have said.

The first thing for me to say is that Northridge Finance didn't simply accept Miss C's declarations at face value as it carried out credit checks. However, I can't see that Northridge Finance was aware of what Miss C's actual income was. Given the term of this agreement, I think that Northridge Finance needed to find out about Miss C's income and actual living expenses, rather than relying on her having enough to meet this.

However, I don't think that Northridge Finance carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Northridge Finance is still likely to have lent to Miss C even if it had found out more about her actual living expenses.

To be clear, I wouldn't have expected Northridge Finance to carry out a forensic analysis of her income and expenditure. I think that, at best, Northridge Finance ought to have found out about Miss C's income and asked her about her regular living expenses. I think that if it had done this here, Northridge Finance was more likely that not to have concluded that Miss C could sustainably make the repayments due under this agreement.

In my view, when the payments to credit which Northridge Finance factored into its assessment (based on its credit search) are added to the payments I've been able to see for Miss C's living expenses and then deducted from her income, irrespective of how long she worked for her employer at the time, she would appear to have sufficient funds to make the payments to this agreement.

I appreciate that Miss C's position may have been worse than what proportionate checks are more likely than not to have shown. For example, I've seen what Miss C has said about having returned direct debits on her main account. This may be the case, but this information isn't generally recorded by credit reference agencies. And Northridge Finance would also have seen that Miss C made a £2,000.00 payment as a cash deposit too.

So Northridge Finance wouldn't have been aware of any struggles Miss C might have had. If anything it's likely to have believed the opposite was true given the cash payment made. And as it didn't need to request bank statements from Miss C, I can't reasonably say that any returned direct debits payments is something that it ought to have been aware of either.

Therefore, while I think that Northridge Finance's checks before entering into this hire purchase agreement with Miss C ought to have gone further, I'm satisfied that carrying out further checks won't have stopped Northridge Finance from providing these funds, or

entering into this agreement with Miss C. It follows that I'm satisfied that Northridge Finance didn't act unfairly towards Miss C when it entered into this agreement with her.

I've also thought about what Miss C has said about not being treated fairly when she had difficulty making her payments to the agreement. I appreciate that Northridge Finance said that it was never made aware of any difficulty Miss C may have had making her payments, in its final response.

However, I think that the final response isn't accurate. I say this because Northridge Finance has provided me with a copy of its contact record with Miss C in the period her agreement was in force. And it's fair to say that Miss C started missing payments as far back as May 2019. So it's fair to say that Northridge Finance was aware of Miss C's difficulty making payments.

Nonetheless, my role here isn't to assess the accuracy of Northridge Finance's final response its to assess whether it acted fairly and reasonably in its dealing with Miss C. I've therefore looked to see how it responded to Miss C's payment difficulties at the time rather than what it said about these matters in its final response.

Having reviewed Northridge Finance's records of its contact with Miss C, I can see that it set up a plan to clear arrears on the agreement in July 2019. Miss C then successfully applied for two pandemic payment holidays, which subsequently ended at the beginning of 2021. I can also see that there were a number of attempts to try and help Miss C clear the arrears on the account through the course of 2021 and early 2022.

When this proved unsuccessful the notes suggest that options in relation to returning the car were also explored, but Miss C was not happy with any of these as she said she needed to keep it. Finally, Miss C was also referred to debt charities and other institutions which might have been able to help throughout this time.

So while it is fair to say that Northridge Finance was aware of Miss C's difficulty making her payments and what it said in its final response was incorrect, I'm nonetheless satisfied that it did take action and offered some help and support to Miss C at the time she was having difficulty making her payments. And while I accept that Miss C may feel that the help Northridge Finance offered wasn't enough, I do think that it did act fairly and reasonably and in line with its regulatory obligations in respect of this matter.

In reaching my conclusions, I've also considered whether the lending relationship between Northridge Finance and Miss C might have been unfair to Miss C under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Northridge Finance irresponsibly lent to Miss C or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A 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 to uphold this complaint. I appreciate that this will be disappointing for Miss C. But I hope that she'll understand the reasons for my decision - namely why I think that proportionate checks are likely to have shown the payments to this agreement were affordable - and she'll at least consider that her concerns have been listened to.

### **My final decision**

My final decision is that I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 3 January 2025.

Jeshen Narayanan  
**Ombudsman**