

## **The complaint**

Ms P complains through a representative that STARTLINE MOTOR FINANCE LIMITED ("Startline") didn't conduct adequate affordability checks before it entered into a hire purchase agreement with Ms P.

## **What happened**

In February 2019, Startline provided Ms P with finance for a used car through a credit intermediary. The vehicle had a cash price of £7,599 and no deposit was paid so the full vehicle price was financed. The total of interest fees and charges was £3,564.40. with a total to repay of £11,162.40. This agreement was to be repaid in 55 monthly instalments of £199.15 followed by a final payment of £209.15. The agreement was fully repaid in November 2023.

Startline considered Ms P's complaint and didn't uphold it. Startline concluded adequate checks were conducted which showed the agreement to be affordable.

Ms P's complaint was considered by an investigator, and they upheld the complaint. As part of the application process Startline obtained copy bank statements. Although these were used for income verification the investigator thought Startline had overestimated her income and hadn't taken on board the number, value and frequency of the gambling transactions which ought to have led Startline to realise the loan wasn't affordable.

Ms P agreed with the investigator's findings, but Startline didn't, and I've summarised its comments below.

- Startline says the income figure used by the investigator was incorrect – it ought to have been £1,298.70 net per month – taking account of her salary, in work benefits and maintenance.
- No evidence has been provided to show what if any financial strain was caused to Ms P by entering into the agreement when all payments were made on time.
- Ms P's gambling appears to be controlled, discretionary spending.
- The investigator didn't take account of the checks carried out by Startline included using automated tools, income verification and its affordability assessment.

These comments didn't change the investigator's assessment and so the complaint was passed to an ombudsman for a final 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.

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 Ms P's complaint. Having carefully thought about everything I've been provided with, I'm upholding Ms P'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 any lending was sustainable for Ms P 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.

As part of the application process, Startline took details of Ms P's income which the application form says was £1,315 per month, but the final response letter says was £4,200 per month once it reviewed her bank statements in order to verify her monthly income.

Startline also carried out a credit search. There were some historic defaults present from 2015 and 2016 but these wouldn't have been overly concerning for Startline, or in themselves meant that it shouldn't have lent. I say this considering two of the defaults had been satisfied and the remaining one was being repaid through a debt collection agency.

Startline says that it carried out proportionate checks and these checks showed the loan payments to be affordable. However, I disagree, it may well have carried out proportionate checks, at least in terms of the information that it requested, but it received information – in the form of Ms P's bank statements that ought to have led it to conclude that it wasn't responsible to lend to her.

I've thought about Startline's recent comments, and I do agree that Ms P's total monthly income was made up of a salary and in work benefits was just under £1,300 per month. This is more than the investigator calculated it to be. But whichever figure is used, it doesn't make a difference to the outcome that I've reached.

Startline saw the bank statements in order to verify the income that had been declared by Ms P – but it also, couldn't just ignore the other information that the bank statements provided. And like the investigator I do have significant concerns about the number, value and frequency of the gambling transactions that are visible.

In just one day in January 2019 – Ms P had 32 separate transactions adding up to around half of her income. And when there are any credits – say from gambling winnings these are typically then used to gamble further.

So, while I've noted what Startline says about Ms P's gambling being discretionary – I would disagree. The value of the transactions is such that she was spending more than her income each month. This level of gambling is bound to have impacted upon Ms P's ability to make her repayments. And it seems to me that her ability to repay was dependent on her success as a gambler. In these circumstances, Startline could not reasonably be confident that Ms P would be able to make her payments without significant adverse consequences.

I've noted what Startline says about Ms P making her payments on time and as expected. This may be the case. However, Startline has no way of knowing whether Ms P did so without experiencing significant adverse consequences. and as I've explained above, this is what it needed to be concerned about.

Finally, I've also thought about whether Startline acted unfairly or unreasonably in any other way and I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have set out below results in fair compensation for Ms P in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I've set out below what Startline needs to do in order to put things right.

### **Putting things right**

To settle Ms P's complaint Startline should do the following:

- Refund any payments Ms P has made in excess of £7,599 representing the original cash price of the vehicle. Startline should add 8% simple interest per year\* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Ms P's credit file regarding the agreement.

\*HM Revenue & Customs requires Startline to take off tax from this interest. Startline must give Ms P a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

For the reasons I've outlined above, I am upholding Ms P's complaint.

STARTLINE MOTOR FINANCE LIMITED should put things right for Ms P as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 6 March 2025.

Robert Walker  
**Ombudsman**