

## **The complaint**

Mr B complains Advantage Finance Ltd provided him with an unaffordable credit agreement.

## **What happened**

Advantage Finance provided Mr B with a hire purchase agreement in May 2018. The capital amount lent was around £9,300 with a total repayable value, including fees and charges, of around £17,800. The agreement was over 47 monthly payments of around £330 and one final payment of around £510.

Mr B complained to Advantage Finance in June 2024. He said at the time Advantage Finance provide him with this agreement he had a low credit score and wasn't managing his existing lines of credit well. Mr B says had Advantage Finance completed proportionate checks it ought to have identified this agreement was unaffordable for him. Mr B also complained about what he said was a high interest rate payable for the agreement.

After receiving a response from Advantage Finance Mr B referred his complaint to our service for review.

Our investigator considered the details and didn't uphold the complaint. He said he didn't consider Advantage Finance had completed proportionate checks to reasonably conclude Mr B would be able to sustainably afford to repay this agreement. He asked Mr B to provide evidence to understand what better checks would likely have shown Advantage Finance; however, Mr B was unable to provide this evidence. As such our investigator couldn't safely conclude Advantage Finance had made an unfair lending decision when providing Mr B with this hire purchase agreement.

Both Mr B and Advantage Finance responded and didn't agree with our investigator's view.

Mr B maintained his arguments that this agreement was unaffordable for him, and that Advantage Finance should have identified this at the time it lent. He also told us he'd had other unaffordable lending complaints upheld.

Advantage Finance sent further information providing more detail about the checks it completed; in order to set out why it considered these were proportionate, before it went on to make what it considers was a fair lending decision in providing Mr B with this agreement.

As an agreement couldn't be reached the complaint has been passed to me to decide.

## **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.

I think it's helpful for me to set out from the start that there are time limits for bringing a complaint to our service, and Advantage Finance has said this is a complaint that was referred to us late. Our investigator set out within their view why he didn't think we could look

at a complaint about Advantage Finance's lending decision as it took place more than six years before the complaint was made. But he also went on to explain why it was reasonable to interpret Mr B's complaint as being about an unfair relationship as described in section 140A of the Consumer Credit Act 1974 (s.140), and why he therefore considered Mr B's complaint about an allegedly unfair lending relationship had been made to us in time.

I don't intend to go into the details our investigator already set out within my decision here. But for the avoidance of doubt, I agree with our investigator that I have the power to look at Mr B's complaint on this basis.

I say this because I consider Mr B's complaint can reasonably be considered as being about an unfair relationship, as he says the hire purchase agreement provided by Advantage Finance was unaffordable for him; and that had it completed reasonable checks it ought to have identified this.

The credit agreement may have made the relationship unfair, as Mr B may have paid more in interest and charges than he could afford. I accept Advantage Finance doesn't agree we can look at any events more than six years before the complaint was made, but as I don't intend to uphold this complaint, I won't be commenting on this further.

In deciding what's fair and reasonable I'm required to take relevant law into account. As Mr B's complaint is about the fairness of his relationship with Advantage Finance, relevant law in this case includes s.140A-C.

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (Advantage Finance) and the debtor (Mr B), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement.
- the way in which the creditor has exercised or enforced any of his rights under the agreement.
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship.

S.140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given the details of Mr B's complaint, I need to consider whether Advantage Finance's decision to lend to him, or other actions it may have taken, created an unfairness in the relationship between him and Advantage Finance; and if it did whether Advantage Finance took reasonable steps to remove that unfairness.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. Both Mr B and Advantage Finance have been made aware of this approach in our investigator's view.

At the time Advantage Finance arranged this hire purchase agreement for Mr B it was required to carry out proportionate checks. These checks required it to assess Mr B's ability

to afford the agreement being arranged and repay it sustainably, without causing him financial difficulties or financial harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't sufficient for Advantage Finance to just complete proportionate checks – it must also consider the information it obtained from these checks to go on and make a fair lending decision when arranging this agreement.

I've followed this approach when considering Mr B's complaint.

Advantage Finance has said it obtained Mr B's declared income which it verified by way of an online credit tool check. It also used an internal scorecard which in part relied on statistical data, including data from the Office of National Statistics (ONS), to assess Mr B's monthly expenditure to non-discretionary commitments. It also completed a credit check to identify Mr B's active and recently settled credit accounts, as well as his management of credit.

It's said it considers it complete proportionate checks and went on to make a fair lending decision when providing Mr B with this credit agreement.

I've carefully considered Advantage Finance's arguments; and having done so I'm not persuaded that it did complete proportionate checks before providing this lending. However, for the same reasons as our investigator set out within their view, I can't safely conclude Advantage Finance made an unfair lending decision when providing Mr B with this agreement.

I say this because Mr B declared he was employed with a monthly income of around £1,900. Advantage Finance has provided evidence that it validated Mr B's declared income by way of an online credit tool check. It used its internal scoring and statistical data to calculate Mr B's non-discretionary expenditure would be around £540 a month. From looking at the information it obtained from Mr B's credit file it concluded existing repayments to credit totalled around £430. This gave Advantage Finance a total monthly expenditure figure of around £970. It therefore concluded that Mr B was left with just under £1,000 disposable income each month to cover repayments to this agreement, and other living costs.

The information within the credit check Advantage Finance obtained showed Mr B had a number of active credit accounts, across multiple products. There were no recent defaults or evidence of an IVA or CCJs. But, Mr B's use of payday loans was significant, with a large number obtained within the 12 months and more leading up to this agreement, although none appear to have been taken within around five months of this agreement starting. All of Mr B's recently settled accounts and open accounts appear to have been maintained well, except one of the payday loan accounts which was three months in arrears.

This one account in arrears appears to be an anomaly, considering how Mr B had been managing his other credit accounts in the recent and historic past. But Mr B's use of payday lending doesn't suggest he had the available disposable income each month that Advantage Finance calculated he did. I consider this, together with the recent reporting of arrears on one of these active accounts suggests Mr B's finances may be distressed. I consider this ought reasonably to have been of concern to Advantage Finance. I say this because if Mr B wasn't able to sustainably afford his existing expenditure and credit commitments without turning to further credit, it follows this new hire purchase agreement would only add further financial strain to Mr B's existing financial commitments.

I don't consider the information Advantage Finance obtained through this credit check was enough for it to reasonably conclude that it shouldn't lend to Mr B. I say this given Mr B's evidenced reduction in the use of payday lending in the lead up to this agreement, and given the type of agreement this was, which was restricted credit providing Mr B with access to a vehicle which was clearly beneficial to Mr B, rather than it providing funds he could use for any means. But I consider Advantage Finance has obtained enough information for it to have reasonably concluded it should get a full understanding of Mr B's financial situation, by verifying his actual income and expenditure, as well as understanding his credit commitments; so it could be satisfied that further lending would be sustainably affordable for Mr B across the full 48 month term.

The rules aren't prescriptive in what information Advantage Finance needed to review in order to get a thorough understanding of Mr B's financial situation. Our service's general approach is to ask a customer for their bank statements of their primary account, covering the three months prior to any lending decision. We find this usually allows us to verify an individual's income, non-discretionary expenditure and existing credit commitments; and therefore to be able to reasonably conclude whether the financial situation suggests they can sustainably afford the new lending being provided.

Our investigator asked Mr B to provide his bank statements covering the three months leading up to Advantage Finance's lending decision, in order to complete this review.

Mr B has told us that he can't provide these statements, as his bank aren't able to provide statements dating back that far. As that is the case, it means I'm unable to reasonably understand what more detailed checks would likely have shown Advantage Finance, had it completed them at the time of this lending.

So, it therefore follows I can't safely conclude Advantage Finance made an unfair lending decision when providing Mr B with this credit agreement.

As part of his complaint Mr B raised concerns with the interest rate applicable to his agreement. I've reviewed the agreement Mr B would have had sight of before it was provided to understand what information was presented to him.

Page one of the hire purchase agreement sets out the capital value being lent, the applicable interest rate and the total repayable value, which includes monetary values for interest and applicable fees. I accept Mr B may now, and may have at the time, considered the interest rate high. However, it was clearly set out within the credit agreement which he electronically signed, indicating his acceptance of all associated terms and conditions.

So, Advantage Finance reasonably made Mr B aware of the applicable interest rate before he entered the agreement.

I've also seen Advantage Finance provided Mr B with forbearance when he made it aware that his finances were impacted during the COVID pandemic. The notes I've seen confirm Advantage Finance provided Mr B with payment holidays to help him during this period. I've not seen any other evidence to suggest Advantage Finance didn't act fairly when Mr B needed support due to his financial situation.

I acknowledge my decision will likely be disappointing to Mr B. He's made us aware of other complaints about unaffordable lending that he's had upheld. By reaching this decision I'm not doubting Mr B's testimony of what his circumstances were in the lead up to this agreement being approved, or following it. But without evidence for me to understand what Advantage Finance would more likely than not have seen had it completed better checks, I

can't safely conclude it acted unfairly by providing him with, or any of its actions during the running of, this credit agreement.

It therefore follows Advantage Finance doesn't need to take any further action in resolution of this complaint.

### **My final decision**

My final decision is that I don't uphold Mr B's complaint about Advantage Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 July 2025.

Richard Turner  
**Ombudsman**