

Complaint

Miss G 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 March 2020, Northridge Finance provided Miss G with finance for a used car. The purchase price of the vehicle was £12,700.00. Miss G didn’t pay a deposit and sought finance for the whole amount of the purchase.

The loan had interest, fees and total charges of £2,386.52 (comprising of interest of £2,376.52 and an option to purchase fee of £10), and a 49-month term. This meant that the balance payable of £15,086.52 was due to be repaid in 48 monthly instalments of £198.99 plus an optional final payment of £5,535.00 which Miss G had to pay if she wanted to keep the car.

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

Miss G 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 G’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 G’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 G 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 G's complaint. I'd like to explain why in a little more detail.

Northridge Finance says it agreed to this application after Miss G provided details of her employer and how long she'd been employed for. It says it also carried out credit searches on Miss G which showed a low amount of existing credit. And no significant adverse information – such as county court judgments ("CCJ") or defaulted accounts – recorded against her.

Northridge Finance considered when reasonable payments based on the limited amount Miss G 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 G says the monthly payments were unaffordable.

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

The first thing for me to say is that Northridge Finance didn't simply accept Miss G's declarations at face value as it carried out credit checks. Given the information that was gathered indicated that the monthly payments were affordable, there is a reasonable argument for saying that the checks were proportionate.

In any event, I've not been persuaded that Northridge Finance carrying out further checks would more likely than not have made a difference here. I say this because despite having been provided with significant opportunity to do so, Miss G hasn't provided me with anything at all which shows me that her income and expenditure in March 2020 meant that she couldn't afford to make the monthly payments of £198.99.

Furthermore, while I accept that this isn't in itself determinative, I do think that it's worth noting that the fact that Miss G settled the finance early, by also paying the optional final balloon payment. This does tend to lend weight to support the fact that the agreement was affordable for her.

I appreciate that Miss G's position may have gone on to worsen. For example, I've seen that Miss G did go on to miss payments to her credit commitments and default on agreements. However, this appears to have happened from around the latter part of 2022 onwards. I don't think that this is a reflection of Miss G's position at the time she entered into this agreement and I don't think that Northridge Finance could reasonably be expected to know that this would happen. This is particularly as the hire-purchase agreement had already been fully repaid by then.

In reaching my conclusions, I've also considered whether the lending relationship between Northridge Finance and Miss G might have been unfair to Miss G 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 G 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, while it could be argued that Northridge Finance's checks before entering into this hire purchase agreement with Miss G ought to have gone further, I've not been persuaded that Northridge Finance doing more would it prevented it from providing these funds, or entering into this agreement with Miss G.

Therefore, I'm satisfied that Northridge Finance didn't act unfairly towards Miss G when it entered into this agreement with her and I'm not upholding this complaint. I appreciate that this will be disappointing for Miss G. But I hope that she'll understand the reasons for my decision 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 G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 17 March 2025.

Jeshen Narayanan
Ombudsman