

The complaint

Mr L complains that STARTLINE MOTOR FINANCE LIMITED (“Startline”) didn’t carry out proportionate checks before lending and had it done so it would’ve seen the agreement wasn’t affordable.

What happened

In March 2021, Startline provided Mr L with a hire purchase agreement for a used car through a credit intermediary. The cash price of the car was £9,600 and a £100 deposit was paid and so £9,500 was financed. With interest, fees and charges Mr L was due to pay Startline a total of £14,403.80. Mr L was due to make 59 monthly repayments of £238.23 followed by a final payment of £248.23.

Mr L appears to have made all his repayments as expected, and as of August 2024, an outstanding balance still remains due.

Startline considered Mr L’s complaint and didn’t uphold it. Startline concluded adequate checks were conducted which showed the agreement to be affordable. Unhappy with this response, Mr L referred the complaint to the Financial Ombudsman Service.

Mr L’s complaint was then considered by an investigator, and they didn’t uphold it. The investigator concluded Startline needed to do more before lending because there were signs that within the last year that Mr L had encountered difficulties making his monthly repayments to his existing creditors. But the investigator thought that even if Startline had taken a closer look at Mr L’s outgoings it still would’ve concluded the agreement was affordable.

Mr L didn’t agree, saying in summary.

- He already owed other creditors a significant sum of money.
- His bank statements showed he was gambling at the time – and Startline didn’t ask for the statements or asked whether he L may have been gambling.
- Had Mr L’s primary bank account been reviewed, it would’ve shown that he was sending large sums of money to another one of his accounts – and this ought to have led Startline to question these transfers and asked to see the second account.
- Startline deals with people with poor credit history and so it ought to take extra steps to check to ensure the agreement was affordable.

These comments didn’t change the investigator’s opinion 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 Mr L's complaint. Having carefully thought about everything I've been provided with I'm not upholding Mr L'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 Mr L 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.

Mr L declared he worked full time, and his monthly income was £1,700. Startline didn't just accept what Mr L had declared, it obtained a copy payslip dated February 2021, which showed the amount he had declared was accurate. It's therefore reasonable to conclude that Startline had a fairly good idea of Mr L's monthly income.

Startline also carried out a credit search and it's provided a copy of the results that it received, and I've summarised these below.

- He had eight active accounts, including two loan accounts owing nearly £11,000 these had been open since 2018. These loans were costing Mr L £246 per month and all his payments had been made as expected.
- Three bank accounts – all of which had been well maintained and he was using an overdraft.
- A mail order account with a zero balance and there hadn't been any missed payments.
- Two credit card accounts with combined balances of nearly £6,500. Within the last six months all of the payments to these had been made as expected. But the repayment history for both cards showed Mr L had some difficulties before this.

There were some signs from the credit file that in the not too distance past Mr L had difficulties maintaining his credit cards – and those difficulties had extended over a number of months. But the more recent history was positive – his accounts were, according to the credit file, being maintained with no adverse payment markers. But the adverse payment information ought to have been a flag for Startline regardless as to whether they lend to consumers with impaired credit history.

I've noted what Mr L has said about his existing levels of debt – but his loans had been running for coming up to three years and this is where the majority of his debt lay. And while Startline was advancing further funds, Mr L was receiving goods so it wasn't a case that Startline was just increasing his debt without understanding what the funds were going on.

In terms of outgoings, Startline says *"Expenditure checks were carried out using the credit profile and taking consideration the customer's declared living situation."* However, no further evidence has been provided of exactly what this check entailed. But given the agreement was granted – then Startline likely felt given the information that it had to hand, showed Mr L could afford his repayments.

Given the recent impaired credit history – that suggested that on at least two accounts Mr L had previously had some difficulties managing his repayments and with a lack of detail about Mr L's regularly monthly expenditure – I can't conclude the checks were proportionate. Startline needed to do more before lending to Mr L.

Like the investigator, I do think that before the loan was approved, Startline needed to at the very least to understand what Mr L's actual monthly outgoings were. Because in circumstances where there was adverse payment information it just wasn't reasonable to have relied on his credit profile and or living situation to work out his likely monthly living costs.

Startline could've gone about making further enquiries about Mr L's living costs and financial situation a number of ways, it could've simply asked him what his actual living costs were, or obtained any other documentation or evidence that Startline thought was necessary or it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Mr L's actual living costs are likely to have been like at the time. I've not done this because I think that Startline ought to have requested this information as part of underwriting this agreement. After all, given the amount lent and the term it may have been perfectly reasonable for Startline to have relied on any declared expenditure provided to it.

I accept that had Startline conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Startline conducting a proportionate check I do think it's fair and reasonable to consider the bank statements that I have access to.

Had Startline made a more detailed assessment of Mr L's living costs – then like the investigator it would've likely discovered he had sufficient disposable income to afford the repayments. I've explained why below.

From the statements I can see regular payments for petrol, food as well as the creditors Startline was aware of as well as other standing order and direct debit payments that it may not have been. But thinking about the regular payments that Mr L was making at the time, as well as other living costs – I think further checks would've demonstrated to Startline that Mr L had sufficient disposable income after his non-discretionary spending in which to afford these repayments. I've worked out similar monthly outgoings as to the ones worked out by the investigator – and as such the finance looked affordable.

His bank statements also didn't show any signs of financial difficulties. I accept he was using his overdraft, but that on its own wouldn't be enough to say that Startline ought to not have lent.

I can see that Mr L was spending at times on the lottery and moving funds to a trading platform. However, I can see credits in from the trading platform, so I don't think this would've alerted Startline to any wider difficulty – assuming that Startline would've been aware of these transactions. After all, using bank statements was just one method Startline could've used to work out Mr L's living costs.

In December 2020, there are also a number of transfers from his main account into another account in Mr L's name. I can see from the secondary bank account that during December 2020, Mr L does spend a significant amount each month on gambling transactions. But I'm not persuaded that a proportionate check – which is what Startline needed to do, would've

identified those transactions and or Mr L's gambling. As such, I can't uphold the complaint for this reason.

If Mr L needs assistance with repaying what he still owes, he should, if he hasn't already done so contact Startline and I would remind it of its obligation to treat Mr L fairly and with forbearance if needed.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Startline lent irresponsibly to Mr L 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

For the reasons given above, I do not uphold Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 10 April 2025.

Robert Walker
Ombudsman