

The complaint

Mr B complains that N.I.I.B. Group Limited trading as Northridge Finance was irresponsible in its lending to him. He wants all interest and charges paid under his agreement refunded along with statutory interest.

Mr B is represented by a third party but for ease of reference I have referred to Mr B throughout this decision.

What happened

Mr B entered into a hire purchase agreement with Northridge in 2017 to finance the acquisition of a car. The car's cash price was £15,433 and Mr B made an advance payment of £200, leaving £15,233 to be provided by credit. The agreement term was 48 months and Mr B was required to make 47 monthly payments of £254.52 followed by a final payment of £6,571.

Mr B said that he felt pressured into the agreement and that the monthly repayments put him under a lot of financial pressure. He said he had to take on extra work and this put further pressure on his family life. He said this agreement resulted in his debts spiralling and that it had an adverse impact on his mental health.

Northridge issued a final response dated 5 March 2024. It said that affordability and credit worthiness checks were carried out before the finance was provided. It said that Mr B's credit check didn't raise concerns and he declared that he was employed with an annual income of £20,000. Northridge didn't accept that the lending was irresponsible and noted that Mr B made all of the payments due under the agreement up to when the agreement was settled in March 2021.

Mr B referred his complaint to this service.

Our investigator noted that Mr B's credit check didn't raise concerns but thought, given the size and term of the agreement, Northridge should have carried out further checks to understand Mr B's committed monthly expenditure to ensure the agreement would be affordable for him. He looked through the information contained in Mr B's bank statements for the three months leading up to the lending and found that further checks would have shown the agreement to be affordable for Mr B. Therefore, he didn't uphold this complaint.

Mr B didn't accept our investigator's view. He said he started and ended each month in his overdraft and didn't have the funds available to make the repayments due under the agreement. He didn't agree with our investigator's calculation of his disposable income and said his costs were higher than the amount that had been included. He said that the agreement wasn't affordable.

Our investigator considered Mr B's comments, but these didn't change his view. As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr B was provided with £15,233 of credit by Northridge. Under the agreement he was required to make 47 monthly payments of £254.52 followed by a final payment of £6,571. Before the agreement was provided, Northridge gathered information about Mr B's employment and income and carried out a credit check. Mr B declared that he was employed with an annual income £20,000. His credit check showed that he had an outstanding balance on one of his credit card accounts of £1,696 and another outstanding credit commitments requiring payments of £34 a month. I do not find that Mr B's credit check suggested he was overindebted or raised concerns about how he was managing his commitments. He had no missed payments or other adverse information recorded and his credit card utilisation was around 15%.

However, while Mr B's credit check didn't raise concerns, given the size of the lending and its term, I agree with our investigator that additional checks should have been carried out to ensure that Northridge had a clear understanding of Mr B's financial situation to ensure the lending would be sustainably affordable for him.

While I do not think that Northridge was required to obtain copies of Mr B's bank statements, as I think further checks should have taken place, I have used the information these contain to understand what further checks would likely have identified.

Considering Mr B's bank statements for the three months leading up to the lending, these show his average monthly income to be around £1,277. He was making monthly mortgage repayments of £484 as well as payments towards his other credit commitments, insurance, communication contracts, bills and other general living costs such as food and fuel. His total monthly expenditure was around £870 a month. This would leave Mr B with disposable income of around £150 after the Northridge repayments. While this is a relatively small amount, given Mr B's general living costs are included in the calculations, I do not find that I have enough to say that further checks would have shown the lending to be unaffordable.

I note Mr B's comment about his use of his overdraft, but he was repaying this each month with his salary. The account didn't show signs of financial distress, such as returned payments and based on the information I think would have been identified had further questions been asked about Mr B's expenses, I do not find I have enough to say that this lending shouldn't have been provided.

I've also considered whether Northridge acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Northridge lent irresponsibly to Mr B 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

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 May 2025.

Jane Archer
Ombudsman