

Complaint

Mr B complains that Advantage Finance Ltd (“Advantage Finance”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable given his circumstances at the time and so he shouldn’t have been lent to.

Background

In July 2021, Advantage Finance provided Mr B with finance for a used car. The purchase price of the car was £15,188.00. Mr B paid a deposit of £1,737.25 (which was made up of a part-exchange he received for his existing car) and entered into a hire-purchase agreement with Advantage Finance which covered the remaining £13,450.75 he required.

The loan had total interest, fees and charges of £7,788.73 (made up of interest of £7,263.73, an acceptance fee of £325 and an option to purchase fee of £200) and a 54-month term. This meant that the balance to be repaid of £21,239.48 (which does not include Mr B’s deposit) was due to be repaid in 53 monthly instalments of £389.62 followed by a final monthly instalment of £589.62.

Mr B’s complaint was considered by one of our investigators. He didn’t think that Advantage Finance hadn’t done anything wrong or treated Mr B unfairly. So he didn’t recommend that Mr B’s complaint should be upheld.

Mr B 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.

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 B’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr B’s complaint. I’ll explain why in a little more detail.

Advantage Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Advantage Finance needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr B 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.

Advantage Finance says it agreed to this application after Mr B provided details of his monthly income which it says it cross-checked against information from credit reference agencies on the amount of funds that went into his main bank account each month. Advantage Finance says it also carried out credit searches on Mr B which did show some previous difficulties with credit in the form of defaulted accounts. However, it considered this to be historic as the most recent default was recorded in 2019.

In Advantage Finance's view, when the amount due on Mr B's existing credit commitments plus an estimated amount for Mr B's living expenses, based on statistical data, were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr B says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr B and Advantage Finance have said.

Having done so, unlike our investigator, I don't think that it was reasonable for Advantage Finance to use living costs based on statistical data for Mr B, given Mr B's previous difficulty with credit. In my view, Mr B's defaulted accounts suggested that he fell outside the profile of the average borrower, which such statistics were based on. I don't agree that these defaulted accounts were so historic that they bore no relation to Mr B's circumstances at the time of this finance application.

In these circumstances, I think that Advantage Finance ought to have done more to ascertain Mr B's actual regular living costs. As I can't see that Advantage Finance did this, I'm not persuaded that its checks before it entered into this agreement with Mr B were proportionate.

I have therefore gone on to consider what I think proportionate checks into Mr B's circumstances are more likely than not to have shown Advantage Finance. Bearing in mind, Mr B's previous difficulty, the length of time of the agreement and the amount of the monthly payment, I would have expected Advantage Finance to have had a reasonable understanding about Mr B's regular living expenses as well as his income and existing credit commitments.

That said, I don't think that Advantage Finance carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Advantage Finance is still likely to have lent to Mr B even if it had found out more about his actual living expenses, rather than relied on estimates.

I say this because in my view, when reasonable repayments to Mr B's existing credit are added to the payments which I've been able to see for Mr B's living expenses (in the information he has provided) and then deducted from the income he declared to Advantage Finance, he does appear to have had sufficient funds to make the payments to this agreement.

I note that Mr B has now carried out a line-by-line analysis of his bank statements and in his view he didn't have enough left over for emergencies once the payments to this agreement was deducted from his disposable income.

The first thing for me to say is that Mr B's analysis has been carried out with the use of bank statements and this includes all of his expenditure. There was no requirement and there still is no requirement to obtain bank statements from a customer. In these circumstances, I don't

think that the amount Mr B had left over means that it was unreasonable for Advantage Finance to have lent to him.

I also have to keep in mind that Mr B's most recent submissions are being made in support of a claim for compensation and any explanations Mr B would have provided at the time are more likely to have been with a view to persuading Advantage Finance to lend, rather than highlighting any unaffordability. So I think it unlikely that Mr B would have suggested that Advantage Finance shouldn't lend to him because he wouldn't have sufficient funds to cover emergencies.

Overall and having carefully considered everything, while I don't think that Advantage Finance's checks before entering into this hire-purchase agreement with Mr B did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Advantage Finance from providing these funds, or entering into this agreement with Mr B. Therefore, I'm not persuaded that Advantage Finance acted unfairly towards Mr B when it agreed to lend to him.

In reaching my conclusions, I've also considered whether the lending relationship between Advantage Finance and Mr B might have been unfair to Mr B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Advantage Finance irresponsibly lent to Mr B or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I've not been persuaded to uphold Mr B's complaint. I appreciate that this will be disappointing for Mr B. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 September 2025.

Jeshen Narayanan
Ombudsman