

## The complaint

Mr L complains that Specialist Motor Finance Limited (SMF) lent to him irresponsibly.

## What happened

On 28 December 2021, Mr L entered into a hire purchase agreement with SMF as shown below, to buy a used car. Mr L voluntarily terminated the agreement in January 2024.

Date	Amount of credit	Term	Monthly payment	Total repayable
28 December 2021	£10,499.00	48 months	£356.54	£17,123.92

On 10 September 2024, Mr L complained to SMF. In his complaint, Mr L said at the time of the lending SMF failed to perform proportionate checks and ask further questions about his recent time off work. He thinks that if SMF had completed proper checks it would have known the agreement wasn't sustainable.

SMF looked into the complaint and issued a final response letter saying it didn't think it had acted unfairly. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies (CRA) held about Mr L, asking him about his income and confirming this using Mr L's payslip, and using data from the Office for National Statistics (ONS) to estimate his expenditure. It also said it acted fairly later in the agreement when Mr L found himself in financial difficulties.

Mr L didn't accept SMF's response, so he referred his complaint to our service. One of our investigators looked into it. Based on the evidence that was available, our investigator said he couldn't reasonably conclude that the lending was irresponsible, or that the relationship was unfair.

Mr L didn't accept what our investigator said so as there was no agreement, 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.

Having done so, I agree with the outcome the investigator reached for broadly the same reasons.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did SMF carry out reasonable and proportionate checks to satisfy itself that Mr L was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?

- Did SMF make a fair lending decision?
- Did SMF act unfairly or unreasonably towards Mr L in some other way?

SMF had to carry out reasonable and proportionate checks to satisfy itself that Mr L would be able to repay the credit sustainably. It's not just about SMF assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

SMF has explained that it carried out a full credit search to get an understanding of Mr L's situation before it decided to lend to him. It said this revealed his level of active borrowing was reasonable, he had no debt management plans, bankruptcies, or IVAs. However, it did find that Mr L had seven defaults from 2017, 2018 and 2021. Six of the defaults were satisfied but the default recorded in May 2021 remained outstanding. It also discovered that Mr L had received a County Court Judgement (CCJ) in 2018. However, SMF also noted that Mr L was up to date with all other accounts and didn't appear to be over indebted. It's explained it is a second chance lender and so previous poor credit wouldn't stop it lending to a customer provided they passed the affordability checks. Given this, SMF was content to continue with its checks.

SMF said Mr L told it his net income was £2,020 a month. It said it tried to verify this with the CRAs but wasn't able to. So, it asked Mr L for a payslip which he provided. The payslip demonstrated a slightly lower level of income and so this is the figure SMF used in its calculations. It then went on to use CRA data to calculate Mr L's monthly essential expenditure and included a £100 buffer to ensure affordability. From this SMF worked out that Mr L had a disposable income of around £695 after accounting for the repayments to this agreement. Whilst this might ordinarily be enough, given the length and level of the lending, and Mr L's recent default, I think it would have been reasonable for SMF to get a better understanding of Mr L's financial situation and disposable income before lending to him.

There are a number of ways it could have done this, but for the avoidance of doubt, I'm not making a finding here that SMF needed to see Mr L's statements in order to complete its own income and expenditure assessment. Rather I think it needed to ask Mr L for more information about his regular expenditure. That said Mr L has been able to provide this service with copy bank statements from the time of the lending. In the absence of any other evidence, I think it's reasonable to rely on these to establish what SMF would likely have found had it asked Mr L more questions about his finances.

I've reviewed Mr L's statements, and I'm satisfied he had a reasonable amount of disposable income after accounting for his essential expenditure and the repayments to the agreement. Given this, I think if SMF had asked Mr L about his income and expenditure it would have fairly concluded that he had enough disposable income to be able to sustainably afford the repayments due under the agreement.

I understand Mr L says he told the broker his employment situation may change due to ill health, and he believes SMF should have taken this into consideration when it completed its checks. To understand what happened here, I've considered SMF's internal notes, and the calls Mr L had with the broker. I can hear that Mr L was questioned about the statutory sick pay on his pay slip. He made the advisor aware he had been off for two weeks and that he was already back at work but didn't give any other information. There was an opportunity here for Mr L to provide further information about his circumstances where he felt it was

necessary, and I don't think there was anything in what Mr L said that meant SMF needed to query this further. Additionally, Mr L signed a declaration to say:

*"You have assessed your financial position (including any foreseeable future changes to your financial position) and are satisfied that you can afford the monthly payments set out in the "Repayments" section above, and you do not know of any reason why this should change during the term of this agreement."*

And I don't think it's unreasonable for SMF to rely on this.

I appreciate Mr L fell into financial difficulties shortly after taking the agreement out, but I don't think this was reasonably foreseeable to SMF. When Mr L fell into arrears with the account, I can see SMF agreed repayment plans to help get the account back on track. When it became apparent the Mr L could no longer afford the vehicle, SMF facilitated a voluntary termination of the agreement. This is broadly in line with what I would expect it to do in these circumstances.

I'm truly sorry to hear of the difficult time Mr L has had. But based on the available evidence, it's not clear enough to me that SMF created unfairness in its relationship with Mr L by lending to him irresponsibly, or in the way it handled the account under the credit agreement. So, I don't find that Mr L's relationship with SMF was unfair, and I can't conclude SMF treated Mr L unfairly in any other way based on what I've seen.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 28 July 2025.

Charlotte Roberts  
**Ombudsman**