

The complaint

Mr S complains through a representative that N.I.I.B. Group Limited trading as Northridge Finance ("Northridge") failed to conduct adequate affordability checks before it lent to him.

What happened

In April 2019, Northridge provided Mr S with a hire purchase agreement for a used car through a credit intermediary. The car had a retail price of £24,998 and on top of this there were a number of extras that Mr S paid for. A deposit of £811.26 was taken which led to £25,180.72 being financed. The agreement had interest, fees and charges totalling £6,429.97 which led to a total to repay, under the agreement was £31,610.69.

This agreement was to be repaid in 47 monthly repayments of £431.27 with a final, optional payment due for Mr S to keep the car of £11,341. The finance was ended when the car was traded in to a garage in February 2021.

Northridge considered Mr S's complaint and didn't uphold it explaining the checks it carried out showed the agreement was affordable. Unhappy with this response, Mr S's representative referred the complaint to the Financial Ombudsman.

Mr S's complaint was considered by an investigator, who didn't uphold it. The investigator concluded proportionate checks were conducted and the checks showed the finance was affordable especially as Mr S had repaid another finance agreement which was costing him just over £300 per month.

Mr S's representative disagreed with the outcome and I've outlined a summary of its response below.

- The bank statements showed that in the months before the lending he was paying over £1,000 per month to other creditors. So, Northridge should've rejected the finance request.
- Mr S was gambling in the months leading up to the finance being approved – and this should've been of concern to Northridge.
- After the finance was approved Mr S has said he needed to borrow money to make his repayments and this caused friction in his relationship.
- When the car was traded in, Mr S was left in negative equity.

These comments didn't change the investigator's assessment and so 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.

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 S's complaint. Having carefully thought about everything I've been provided with, I'm not upholding Mr S's complaint. I'd like to explain why in a little more detail.

Northridge needed to make sure that it didn't lend irresponsibly. In practice, what this means is Northridge needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr S 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 S declared an annual income of £22,000 gross per year. It isn't clear – what if any checks were carried out into Mr S's income at the time.

Based on what I've seen, Northridge didn't make any attempt, at least at the application stage to work out what Mr S's likely monthly living costs were – beyond carrying out a credit search which I come on to below. But it was told he lived at home with parent(s) so it may well have expected Mr S to not have the monthly priority bills that come from either renting or having a mortgage.

Northridge carried out a credit search and it's provided a copy of the results that it received. I've reviewed these results to see whether there were any further checks were needed or whether the results indicated that Mr S had previous repayment problems.

Mr S had seven active accounts – including loans, credit cards and current accounts. All of these (and the closed accounts it was aware of) had been repaid without any difficulties with no missed payment, delinquent markers or any signs that there were defaults or any other insolvency markers.

Looking at the known costs and thinking about what a reasonable minimum monthly repayment would be on the credit card – it's likely Northridge would've discovered his existing commitments came to around £407 per month.

Northridge was also aware of a HP agreement which Mr S had settled in January 2019, which had cost £307 per month. The credit file data for this agreement, shows it had been well maintained for the previous four years since its inception with no missed payments or any obvious payment difficulties. This may well have given Northridge additional confidence that Mr S would be in a position to afford the new replacement HP.

The investigator concluded that the checks Northridge carried out were proportionate, taking account that he lived at home with parents, and didn't have any adverse credit file data. The investigator also concluded there was sufficient disposable income.

I've thought about this but I also have to be aware that as part of the complaint that Mr S's representative provided bank statements to Northridge. However, Northridge, as part of the affordability check document it has provided has said bank statements were provided and used as part of the affordability assessment because the finance was considered by one of its underwriters.

I asked Northridge exactly what bank statements it saw and for what period of time the statements may have covered. But despite being chased it hasn't provided a response. So, I can't say with any certainty exactly what Northridge saw, but in the absence of that, I've considered the statements that were provided to Northridge as part of the complaint by Mr S.

The income within the statements seems to support the gross annual income that Mr S had declared – so had Northridge checked this – which I think it likely did, then it would've been confident that what Mr S declared was accurate.

There is very little in the way of non-discretionary expenditure – which is to be expected given Northridge was on notice that Mr S was living at home with his parents. The only additional committed expenditure I can see is for a mobile phone and a gym membership. There are a number of bank loans and credit cards which Northridge already knew about and already had costings for.

Mr S's representative has said that Mr S was gambling, and I can see throughout the statements provided that on average he was spending between £100 and £150 per month – which I don't think would've caused Northridge any concern.

However, in March 2019, there is a change in his behaviour, there is a four-day period where Mr S gambles significantly more and in greater sum than he usually did. But this change in pattern seems to coincide with a horse racing festival. Once the festival finished Mr S's transactions returned to what could be considered regular. So, I don't think was indicative of Mr S spending those amounts every month when the bank statements don't show that.

So, I'm satisfied that the bank statements likely seen by Northridge would've shown the income declared by Mr S as part of his application was accurate. The credit commitments Northridge was told about were accurate and Mr S didn't really have any other living costs – beyond those mentioned above.

Northridge could've, and did, reasonably conclude the finance was affordable for Mr S and I would agree with that. I think any further checks would've shown the agreement was likely affordable for him.

I do not uphold the complaint.

Other considerations

As part of Mr S's submissions, he has said, that the dealership failed to offer him any other finance options at the time. Unfortunately, this wouldn't be something Northridge would be responsible for – in the same way that it is for the affordability assessment or any other representation made by the dealer in relation to this agreement.

If Mr S is unhappy that the dealer may not have offered the best finance deal or there were other finance options available to him, he would need to raise a separate complaint against the dealership in its capacity as a credit broker. So, I say no more about it.

Mr S has also said the finance agreement wasn't fully explained to him, and he's rightly referred to CONC 4.2.5 which highlights what the dealership needed to do in terms of providing the information.

However, he hasn't explicitly said exactly what wasn't explained to him or what the dealer didn't do which meant he couldn't make an adequate decision. As such, I can't uphold this part of the complaint and I say no more about it.

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 Northridge lent irresponsibly to Mr S 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 outlined above, I am not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 May 2025.

Robert Walker
Ombudsman