

The complaint

Mr R is complaining that Close Brothers Limited trading as Close Brothers Motor Finance (CBMF) shouldn't have lent to him – he says the lending was unaffordable. Mr R is represented in his complaint, but for ease I've written as if we've dealt directly with him throughout.

What happened

At the end of December 2023, Mr R signed a conditional sale agreement with CBMF to finance the purchase of a vehicle. He paid a deposit of £1,370 and borrowed £12,129 – the cash price of the vehicle was £13,499. The agreement required Mr R to make monthly payments of around £300 for five years.

In April 2024, Mr R complained to CBMF, saying that he thought they'd lent irresponsibly to him. He said it was unaffordable, and his only income was from a commission-only job. He also noted that he had points on his licence. In response, CBMF said they'd carried out appropriate checks before lending to Mr R. They said based on the information Mr R had provided at the time and the checks they'd undertaken they felt Mr R was able to afford the finance and they'd acted reasonably. Mr R was unhappy with CBMF's response and brought his complaint to our service.

One of our Investigators looked into the complaint. She said she thought CBMF had done proportionate checks and made a fair decision to lend to Mr R.

Mr R disagreed. He said his application had contained false information and CBMF had a duty of care to verify details properly. He said he'd been in his job for less time than he'd told CBMF, and earned less than he'd told them. And he said, if CBMF had checked his bank statements it would have been clear that he was struggling financially and had a gambling problem. He didn't think car finance should have been approved without checking his bank statements and his payslips and noted that he was only 18 at the time of taking out the finance. Mr R sent in his bank statements and our Investigator reviewed them briefly, noting that Mr R's average income in the lead up to CBMF's lending decision was similar to the figure CBMF had used. She said the bank statements therefore didn't change her view.

Mr R remained unhappy and asked for an Ombudsman's decision, and the matter's come to me.

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, and acknowledging how disappointing this will be for Mr R, I'm not upholding his complaint for broadly the same reasons as our Investigator. I'll explain why below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without

having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did CBMF carry out proportionate checks?

As this was a significant financial commitment for Mr R, requiring him to pay back nearly £300 a month for five years, I'd expect the checks to be thorough.

Before lending to Mr R, CBMF:

- Carried out a credit check;
- Used statistical data to model Mr R's income and revised his monthly net income figure down from his stated £2,116 to £1,622;
- Used the credit check information to estimate Mr R's monthly credit commitments, at £179; and
- Used statistical data to estimate Mr R's non-discretionary expenditure, at £845 per month.

CBMF's credit check report isn't clear – it says Mr R had total active balances of around £1,800 to £1,900 at the time, but the breakdown of his active balances shows only £220 in relation to an unsecured loan and nothing else. So, I've looked at Mr R's own credit report to see what might have been missing. This shows at the time of his application, Mr R also had a car insurance loan with a balance of around £1,500, and a charge card with a balance of around £30. There were no missed payments or other adverse information on Mr R's credit file – it appeared he was managing his existing, limited, credit well.

CONC says a business shouldn't generally rely solely on a customer's statement of their own income without independent evidence. This guidance isn't specific as to what form that independent evidence should take, but in the circumstances, I'm not persuaded that statistical information was enough here. That's because of the size of the repayments and Mr R's limited credit history – I'm inclined to say CBMF should have done more to verify Mr R's actual income rather than estimating what he'd likely be earning if he was employed in the role he'd told them.

However, I don't think CBMF needed to do more to check Mr R's expenditure. Mr R told them in his application that he lived with his parents and had no non-discretionary expenditure. And CBMF included in their estimates a figure of £845 for Mr R's monthly non-discretionary expenditure (on top of his credit commitments). Whilst it's not clear exactly how this is made up, it would appear to take into account some rent, bills, and other essential living costs. CONC allows a business to use statistical data to estimate a potential customer's expenditure unless it ought to be aware that the potential customer's expenditure is likely to be significantly higher than that reflected in the statistical data. CBMF had been informed that Mr R lived with his parents. And he was relatively young. So it's likely that his expenditure would be lower than average – rather than higher than average. And so I don't think it was unreasonable for CBMF to use statistical data to estimate Mr R's non-discretionary expenditure.

Taking everything together then, I'm not persuaded CBMF did enough checks. I think they should have taken additional steps to verify Mr R's income before lending to him. But I don't think they needed to do any more in relation to Mr R's credit history, credit commitments, or other expenditure.

What would CBMF have found if they had done proportionate checks?

I can't say exactly what CBMF needed to do to verify Mr R's income. They could have obtained Mr R's bank statements or payslips, or verified it in some other way, including automated checks. In the absence of these checks being carried out at the time, I've used Mr R's bank statements. But this doesn't mean that CBMF needed to check these bank statements before lending to Mr R – if they'd checked his own income in some way beyond using statistical data, I'd be satisfied their checks would have been reasonable and proportionate.

Looking at Mr R's bank statements, I can see he started his job in September 2023, earning over £1,000 that month from his new employer, as well as a smaller payment from his previous employer. The statements for October, November and December 2023 show he earned around £2,000, £1,840 and £2,175 in each month respectively. On that basis, I'm satisfied that if CBMF had checked Mr R's income they'd have been able to confirm that their estimate of £1,622 was conservative.

Having confirmed Mr R's income as at least £1,622 per month, CBMF could then have proceeded as they did, deducting £179 for Mr R's existing credit commitments, £845 for estimated non-discretionary living expenses, and £300 for this agreement. After all these deductions, CBMF arrived at a disposable income for Mr R of around £300 per month which suggested the monthly repayments would be affordable for Mr R and would leave him with enough to cover discretionary spending and emergencies.

Mr R's told us he was in a new job and on commission-only earnings and he didn't think CBMF should have lent to him because of that. But he'd told CBMF he'd been in the role for 12 months. And his monthly earnings for the three months leading up to the lending decision at the end of December were consistently above £1,800. So although Mr R's income was variable, I'm satisfied it was consistent enough and high enough for CBMF to fairly decide this agreement would be affordable for him.

Did CBMF treat Mr R unfairly in any other way?

Mr R's also said CBMF shouldn't have lent to him because he had points on his driving licence, and because he was young. But I disagree. Mr R had a valid driving licence and hadn't been disqualified from driving. I don't think it would have been fair for CBMF to exclude him from obtaining finance solely because he had some points on his licence.

Similarly, I don't think it would have been fair for CBMF to exclude Mr R from obtaining finance solely because he was relatively young. As I've explained above, CBMF checked whether the finance would likely be affordable for Mr R. Mr R had a good income and limited expenses. So, although Mr R had a limited credit history, I can't say this should have prompted CBMF to refuse his application.

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 CBMF lent irresponsibly to Mr R 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

As I've explained above, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 September 2025.

Clare King
Ombudsman