DRN-5457106

The complaint

Mr F says that Advantage Finance Ltd ('Advantage'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a hire purchase agreement to purchase a car. And he needed to borrow further to pay his bills and the finance. He says that the agreement wasn't properly explained to him.

Mr F's complaint has been brought by a representative and I've referred to Mr F and the representatives' comments as being from Mr F for ease of reading.

What happened

Mr F has complained about the commission that was paid as part of the agreement. I'm not looking at this part of his complaint here, this will be considered separately if appropriate. I'm considering if the finance was irresponsibly lent to Mr F in this decision.

This complaint is about a hire purchase agreement that Mr F took out to purchase a car in April 2019. The vehicle had a retail price of £5,300. All of this was financed. This agreement was to be repaid through 47 monthly instalments of £185.65 followed by a final repayment of £385.65. If Mr F made repayments in line with the credit agreement, he would need to repay a total of £9,111.20.

Mr F has repaid the agreement. Advantage says that he didn't have any repayment problems while the agreement was ongoing.

Mr F complained to Advantage saying that his credit file showed he had struggled to repay credit in the past and he had an 'average' credit history. He had a limited income with very little disposable income, and so he would struggle to repay the finance.

Advantage considered this complaint, and didn't uphold it. It said it thought it'd done adequate checks, which showed that Mr F could afford the lending. The loan and the repayments were moderate, and it was reasonable to say Mr F would likely to be able to afford them. Mr F didn't agree with this and brought this complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr F's complaint. He thought that Advantage had made proportionate checks, and these showed that the finance repayments were likely to be affordable.

Mr F didn't agree with the Investigator. He said that the use of Office of National Statistics ('ONS') information for some of his expenditures was not reasonable and he should have been asked more questions about where he deviated from these averages. His personal bank account information should have been used, rather than his business accounts, to assess his income and expenditure.

Because Mr F didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all the circumstances of the complaint. These are:

1. Did Advantage complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the credit in a sustainable way?

    a. if so, did Advantage make a fair lending decision?
    b. if not, would reasonable and proportionate checks have shown that Mr F could sustainably repay the borrowing?

2. Did Advantage act unfairly or unreasonably in some other way?

And, if I determine that Advantage didn't act fairly and reasonably when considering Mr F's application, I'll also consider what I think is a fair way to put things right.

<u>Did Advantage complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the credit in a sustainable way?</u>

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Advantage has explained that that the credit broker found out, and told it, that Mr F was employed by his own business. He was also married and a homeowner.

His income was verified as being £3,429.61 a month from his business bank statements. The information I've seen shows that Advantage calculated from the bank statements that Mr F's business turnover was £52,770 in the three months before the lending. And Advantage thought the net figure it used was reasonable given this, but it's not clear how this was calculated.

Advantage also checked Mr F's credit file. It found out from this that he had outstanding credit balances of £13,657. His current monthly credit repayments were £514.77.

He'd had some credit problems in the past but the most recent of these was in January 2017. There were no ongoing, or more recent, credit repayment problems.

Advantage then estimated some of Mr F's other expenditures using ONS data. It estimated that he spent £106.89 a month on utilities, his council tax was £65.67 and his mortgage would be £362.38.

Advantage calculated that his fixed costs were £1,049.71 a month, leaving £2,379.90 from his income to pay his other expenses and the finance.

Advantage thinks that these checks were proportionate and demonstrated that Mr F was likely to be able to afford the finance repayments, as he did. It also noted that the finance was to purchase a car which he likely needed for transport.

Having looked at everything I don't disagree with this. Mr F had a reasonable income and the monthly repayments were a relatively modest proportion of this at £186. His personal and financial situation seemed relatively stable, and he hadn't had any credit repayment problems for a significant period of time. I agree that these checks were proportionate and showed that the loan was affordable.

Advantage did use ONS estimates for some of Mr F's expenditures. This is allowed under CONC 5.2A.17R, which says *'the firm may take into account statistical data unless it knows, or has reasonable cause to suspect, that the customers non-discretionary expenditure is significantly higher than that described in the data or that the data are unlikely to be reasonably representative of the customers situation.'* I've not seen that this was the case here. Mr F hasn't provided information that shows the amounts used were materially incorrect.

Mr F thinks that Advantage should have used his personal bank accounts rather than one connected to his business. But Mr F derived his income from his business and so it is appropriate to use this account to confirm his income. Mr F has not demonstrated to me the income figures used were incorrect at the time.

Mr F's complaint is essentially that Advantage should have made better checks to determine his income and expenditure. But he hasn't supplied much further detail about what these checks would have shown, other than an estimate of his income at the time. And he hasn't supplied his other bank statements or said what his costs were. So even if I were to think that Advantage should have made better checks I don't think I can say with any degree of certainty what it would have found out from these checks.

And the fact that Mr F paid the finance without problems tends to support that he could afford the repayments to it.

<u>Did Advantage act unfairly or unreasonably in some other way?</u>

Mr F said the finance arrangement was rushed. Advantage has supplied information that shows the finance was agreed at the dealership and brokers and was discussed before it was approved. Mr F was then sent full information about the finance, including such things as the amount to repay, and the interest rates before he agreed to it. I think Mr F had the opportunity to fully consider the finance agreement before he started it. If he wasn't comfortable with the terms of it, then he could have raised this then.

I have considered whether the relationship 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 it lent irresponsibly to Mr F 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.

I haven't seen anything to make me think Advantage acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 1 October 2025.

Andy Burlinson
Ombudsman