

The complaint

Mr K complains that Advantage Finance Ltd irresponsibly provided him with an unaffordable hire purchase agreement.

Mr K's complaint has been brought to us by a professional representative, but for ease I'll refer to all submissions as though they are his own.

What happened

Advantage Finance provided Mr K with a hire purchase agreement in February 2019. The total cash price of the vehicle was £8,500; the capital amount lent was £3,000 with a total repayable value of around £11,400 which included interest, fees and a part exchange payment of £5,500. The agreement was over 54 months with 53 monthly payments of around £110 and one final payment of around £280.

In March 2024 Mr K complained to Advantage Finance about irresponsible lending. He said had Advantage Finance completed proportionate checks when assessing this lending request, it would have identified this agreement was unaffordable for him.

Advantage Finance issued a final response letter to Mr K in April 2024 in which it didn't uphold his complaint. It set out why it considered it had completed proportionate checks when reviewing Mr K's request for lending, and had gone on to make a fair lending decision when providing this hire purchase agreement.

Unhappy with Advantage Finance's response Mr K referred his complaint to our service.

Our investigator considered the details and didn't uphold the complaint. He said he didn't consider Advantage Finance had completed proportionate checks to reasonably conclude Mr K would be able to sustainably afford to repay this hire purchase agreement. He went on to review information Mr K had provided to understand what better checks would likely have shown Advantage Finance; and concluded from this information that the agreement was affordable for Mr K, and that Advantage Finance had made a fair lending decision.

Advantage Finance didn't respond to our investigator's view; Mr K responded and disagreed. In summary he maintained his position that proportionate checks show this agreement was sustainably unaffordable for him, and that Advantage Finance shouldn't have provided him with this hire purchase agreement.

Mr K asked for an ombudsman's review, 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.

The information in this case is well known to Mr K and Advantage Finance; so, I don't intend to repeat these details here. I'd like to assure both Mr K and Advantage Finance that I've

carefully considered all of the evidence on file, even though I may not comment on it. I don't mean to be discourteous to Mr K or Advantage Finance by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. Both Mr K and Advantage Finance have been made aware of this approach in our investigator's view.

At the time Advantage Finance arranged this hire purchase agreement for Mr K, it was required to carry out proportionate checks. These checks required it to assess Mr K's ability to afford the agreement being arranged and repay it sustainably, without causing him financial difficulties or financial harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't sufficient for Advantage Finance to just complete proportionate checks – it must also consider the information it obtained from these checks to go on and make a fair lending decision when arranging this agreement.

I've followed this approach when considering Mr K's complaint.

Advantage Finance has said it obtained Mr K's declared income which it verified by way of an online credit tool check. It also used an internal scorecard which in part relied on statistical data, including data from the Office of National Statistics (ONS), to assess Mr K's monthly commitments to non-discretionary expenditure. It also completed a credit check to identify Mr K's active and recently settled credit accounts, as well as his overall management of credit.

Advantage Finance has said it completed proportionate checks when reviewing Mr K's lending application, and that it went on to make a fair lending decision when providing him with this hire purchase agreement.

I've carefully considered Advantage Finance's arguments; having done so I'm not persuaded its checks were proportionate. However, having considered what proportionate checks would more likely than not have shown Advantage Finance; I consider it made a fair lending decision when providing Mr K with this hire purchase agreement.

The total repayable value of Mr K's lending was relatively sizeable, as well as the repayment term. Advantage Finance verified Mr K's declared income via an online tool check, and conducted checks to reasonably consider Mr K's monthly expenditure. It doesn't appear to have had any concerns with the information it obtained here. However, the details it obtained through its credit check showed some adverse information, and I consider this ought to have caused it some concern.

I say this because although Mr K appears to have been managing his credit well in the present and recent past, Mr K had defaulted on a number of accounts over the past few years. While Advantage Finance considered these historic, two of these defaults still had outstanding balances which totalled over £4,000, so Mr K still had a liability to pay this debt.

I therefore consider Advantage Finance's checks ought reasonably to have gone further, by verify Mr K's actual income and expenditure, to satisfy itself that this new agreement would be sustainably affordable for him across the full term.

The rules aren't prescriptive in what information Advantage Finance needed to review in order to get a thorough understanding of Mr K's financial situation. Our service's general approach is to ask a customer for their bank statements of their primary account, covering the three months prior to any lending decision. We find this usually allows us to verify an individual's income, non-discretionary expenditure and existing credit commitments. Therefore, we're able to reasonably conclude whether the financial situation suggests they can sustainably afford the new lending being provided.

Mr K has provided us with information which includes transactions which appear to be for his main bank account covering the three months leading up to Advantage Finance's lending decision. In the absence of any contradictory information, I consider these allow me to understand what Advantage Finance would more likely than not have identified through proportionate checks.

Mr K's average income across the three months is around £1,350. The transactions show payments to council tax, insurances, a mobile phone and subscriptions. Across the three months these average around £500.

I've also seen payments to Mr K's existing creditors, which on average total around £450.

Taking into account the evidenced income, non-discretionary expenditure and repayments to existing credit commitments, Mr K is left with an average disposable income of around £400 per month.

I consider the evidence suggests Mr K could sustainably afford repayments to this new hire purchase agreement of around £110; and would be left with a reasonable level of disposable income each month for other living and car associated costs.

It therefore follows that I don't consider Advantage Finance made an unfair lending decision when providing Mr K with this hire purchase agreement.

I've also considered whether the relationship might have been unfair in any other way, including under Section 140A of the Consumer Credit Act 1974.

Mr K repaid this agreement in full and in line with the original terms. The contact notes show there were no concerns raised by Mr K throughout the agreement about any affordability issues or financial difficulties – or any other issues for that matter – before it was settled and repaid.

So, for the reasons I've set out above, I don't think Advantage Finance lent irresponsibly to Mr K, or otherwise treated him unfairly in relation to this agreement. I therefore haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

It therefore follows Advantage Finance doesn't need to take any further action in resolution of this complaint.

My final decision

My final decision is that I don't uphold Mr K's complaint about Advantage Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 July 2025.

Richard Turner
Ombudsman