

Complaint

Mr G complains that Advantage Finance Ltd (“Advantage Finance”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable given his circumstances at the time and so he shouldn’t have been lent to.

Background

In March 2019, Advantage Finance provided Mr G with finance for a used car. The purchase price of the car was £8,995.00. Mr G didn’t pay a deposit and entered into a hire-purchase agreement with Advantage Finance for the entire amount.

The loan had interest, fees and charges of £6,669.36 (made up of interest of £6,139.36, an acceptance fee of £325 and an option to purchase fee of £175) and a 42-month term. This meant that the total amount to be repaid of £15,634.36 was due to be repaid in 41 monthly instalments of £368.08 followed by a final monthly instalment of £543.08.

Mr G complained that the agreement was unaffordable and so should never have been provided to him. Mr G also complained about the commission Advantage Finance paid the credit broker that introduced his business. We’ve explained that we’re considering Mr G’s commission complaint separately and so far we’ve only looked at whether Advantage Finance acted fairly and reasonably in agreeing to lend to Mr G.

Mr G’s complaint was considered by one of our investigators. She didn’t think that Advantage Finance hadn’t done anything wrong or treated Mr G unfairly. So she didn’t recommend that Mr G’s complaint should be upheld.

Mr G disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

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 G’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr G’s complaint. I’ll explain why in a little more detail.

Advantage Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Advantage Finance needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr G 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.

Advantage Finance says it agreed to this application after Mr G provided details of his monthly income which it says it verified with copies of payslips. Advantage Finance says it also carried out credit searches on Mr G which showed that Mr G had an account that had defaulted some five years prior to this application. Other than that, which it considered to be historic, there wasn't anything to indicate that Mr G might go on to have difficulty making the payments he was committing to.

In Advantage Finance's view, when the amount due on Mr G's existing credit commitments plus an estimated amount for Mr G's living expenses, based on statistical data, were deducted from his monthly income the monthly payments were affordable. On the other hand, Mr G says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr G and Advantage Finance have said.

The first thing for me to say is that I don't think that it was reasonable for Advantage Finance to use living costs based on statistical data for Mr G, given there wasn't anything to suggest that Mr G fell within the profile of the average borrower, which such statistics were based on.

In these circumstances, I think that Advantage Finance ought to have done more to ascertain Mr G's actual regular living costs. That said, I've not been persuaded that Advantage Finance doing more in this instance would have made a difference. I say this because despite having been provided with sufficient opportunity to do so, Mr G hasn't provided me with anything at all to show that his living expenses were more than the amount of the estimates Advantage Finance used.

As this is the case, I've not been provided with clear evidence to corroborate Mr G's argument that proportionate checks would have shown the monthly payments to this agreement to be unaffordable for him.

I'm also mindful that Mr G's most recent submissions are being made in support of a claim for compensation and at the time of the application at least, Mr G would have wanted the car. So any explanations he would likely have provided to Advantage Finance at the time are more likely to have been with a view to persuading it to lend him, whereas now he's trying to show that the agreement was unaffordable.

Overall and having carefully considered everything, while I don't think that Advantage Finance's checks before entering into this hire-purchase agreement with Mr G did go far enough, I've not been persuaded that it carrying out further checks would have stopped it from providing these funds, or entering into this agreement with Mr G. So I've not been persuaded that Advantage Finance acted unfairly towards Mr G when it agreed to provide the funds.

In reaching my conclusions, I've also considered whether the lending relationship between Advantage Finance and Mr G might have been unfair to Mr G under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Advantage Finance irresponsibly lent to Mr G or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I've not been persuaded to uphold Mr G's complaint. I appreciate that this will be disappointing for Mr G. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 September 2025.

Jeshen Narayanan
Ombudsman