

The complaint

Miss L complains that STARTLINE MOTOR FINANCE LIMITED (“Startline”) didn’t carry out proportionate checks before lending. Had it done so, it would’ve seen Miss L had defaults and her outgoings exceeded her income.

What happened

In September 2023, Startline provided Miss L with a hire purchase agreement for a used car through a credit intermediary. The cash price of the car was £19,950 and a £7,450 deposit was paid - £12,500 was financed. With interest, fees and charges Miss L was due to pay Startline a total of £26,996 – including the deposit. Miss L was due to make 59 monthly repayments of £325.10 followed by a final payment of £335.10.

Miss L appears to have made all her repayments as expected, and as of September 2024, an outstanding balance still remains due.

Startline considered Miss L’s complaint about the checks it carried out when it agreed to lend and didn’t uphold her complaint. Unhappy with this response, Miss L referred the complaint to the Financial Ombudsman Service.

Miss L’s complaint was then considered by an investigator, and they didn’t uphold it because although the checks carried out by Startline weren’t proportionate had Startline made better checks it still would’ve lent.

Miss L didn’t agree, saying in summary.

- Part of Miss L’s income that was included by the investigator in their assessment were payments from a third party which ended in September 2023.
- From September 2023, Miss L’s income – reduced due to a change in her circumstances that led her income to reduce to just her salary and child maintenance.
- Miss L has incurred significant debts since the agreement was entered into.

These comments didn’t change the investigator’s opinion and so the complaint was passed to an ombudsman for 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.

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 Miss L’s complaint. Having carefully thought about everything I’ve been provided with I’m not upholding Miss L’s complaint. I’d like to explain why in a little more detail.

Startline needed to make sure that it didn’t lend irresponsibly. In practice, what this

means is that Startline needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss L 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.

Miss L declared she worked full time, and her monthly income was £5,300. Startline didn't just accept what Miss L had declared, it used a tool provided by a credit reference agency to cross check the information Miss L had given. This check indicated to Startline that Miss L's income was likely to be accurate.

Startline also carried out a credit search and it provided a copy of the results it received from the credit reference agency. I've summarised these below.

- Miss L had nine active accounts, including loans, credit cards, current account and a hire purchase agreement. These accounts had been maintained well, apart from one credit card that had entered arrears around nine months before the agreement started – but had been brought up to date.
- Miss L had total credit card debt of £1,658.
- There was an active hire purchase agreement costing Miss L £732 per month, but Startline said this needed to be settled before it would lend.

There were some signs from the credit file that in the not-too-distant past (between 2017 and 2021) past Miss L had difficulties maintaining her credit commitments. Startline was aware of seven defaults that had been recorded, albeit four had since been fully satisfied. But nonetheless this still left three defaults which Miss L was still repaying. This adverse payment information ought to have been a flag for Startline regardless as to whether they lend to consumers with impaired credit history.

In terms of outgoings, Startline says it uses a cost-of-living model which uses data from the Office of National Statistics – this gave outgoings of around £1,500 per month. To this it adds the known credit commitments, the loan payments as well as the cost of motoring. Overall, Startline calculated Miss L would've been left with around £2,800 per month for discretionary spending. The loan looked affordable.

However, given Miss L's impaired credit history – which included the seven defaults – I can't conclude the checks were proportionate. Startline needed to do more before lending to Miss L.

Like the investigator, I do think that before the loan was approved, Startline needed to, at the very least, understand what Miss L's actual monthly outgoings were – rather than relying on statistical data. Because in circumstances where there was adverse payment information it just wasn't reasonable to have relied on her credit profile and or living situation to work out what Miss L's likely monthly living costs may have been.

Startline could've gone about making further enquiries about Miss L's financial situation a number of ways, it could've simply asked about her actual living costs, or it could've obtained

any other documentation or evidence that Startline thought was necessary, or it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Miss L's actual living costs and financial position was likely to have been like at the time. I've not done this because I think that Startline ought to have requested the information as part of underwriting the agreement.

I accept that had Startline conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Startline conducting a proportionate check I do think it's fair and reasonable to consider the bank statements that I now have access to.

Had Startline made a more detailed assessment of Miss L's living costs – then like the investigator I think it would've likely discovered she had sufficient disposable income to afford the repayments and I've explained why below.

Miss L has shared a significant amount of personal information about a change in her circumstances that occurred in September 2023. As a result, she became solely responsible for the bills – and could no longer rely on the payments that her ex-partner was making. These payments are visible in Miss L's statements in the month before the agreement, but these stopped from September 2023.

But the payments Miss L received did appear were around £4,000 per month towards living costs – the investigator worked out that Miss L's total outgoings from the bank statements came to around £6,500 per month and this seems about right. Although this did include the payment to the existing hire purchase agreement that was to be settled – so living costs were more likely to be £5,800 per month.

I'm sorry to hear about what has happened to Miss L but even if Startline would've seen these payments, it isn't clear whether it would've known these payments would cease – or reduce entirely that would've left Miss L unable to afford the agreement.

So had Startline made proportionate checks, it would've likely seen that while Miss L paid the majority of the bills, she was receiving a share of those bills from a third party – which would've left sufficient disposable income to afford the repayments.

Miss L has also provided information about a number of loans and payments made to her by a different third party that she's told us were '*bridging loans*'. But I don't think and Startline would've likely discovered these by carrying out a proportionate check.

Although, I don't think further checks would've led to a different outcome, I also considered that Miss L did put a sizeable deposit down which was the equivalent of almost two years' worth of repayments. And, Startline was aware Miss L had maintained payments on another agreement for the past two years that was costing significantly more each month. I think those factors would've provided additional confirmation to Startline that Miss L would've been in a position to afford the repayments.

Although, based on the statement of account all the payments have been made as expected, and an outstanding balance remains due. If Miss L needs support, she can reach out to Startline who can then discuss her options. I would remind Startline of its obligation to treat Miss L fairly and with forbearance when discussing a way forward – if necessary.

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

Startline lent irresponsibly to Miss L or otherwise treated her 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 given above, I do not uphold Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 19 June 2025.

Robert Walker
Ombudsman