

The complaint

Mr C, through his representative, complains that Specialist Motor Finance Limited ("SMF") approved a car finance agreement for him which he could not afford.

What happened

Mr C was approved for car finance by SMF on 30 November 2019. The cash price was £15,500 for the car, the interest was £9,548.20 and there was a £10 option to purchase fee included in the final instalment. The total to pay was £25,058.20. The instalments were 59 monthly payments of £417.47 followed by the final instalment of £427.47. There was no deposit paid and no part exchange.

After Mr C had complained in September 2024 he received SMF's final response letter in October 2024. On 29 November 2024 SMF's statement of account shows that Mr C had an outstanding balance of £1,209.71. Mr C seemed to have been paying around £517 a month in late 2024 and so it's likely the finance has been paid off by now.

After it had been referred to the Financial Ombudsman Service, one of our investigators considered all the evidence that SMF had obtained at the time of the application and did not think that it needed to put things right for Mr C.

Mr C's representative made further submissions which did not alter our investigator's view. The unresolved complaint was 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.

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 C's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Mr C's complaint.

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

All parties are familiar with the details of the complaint and I have not repeated everything in this decision as I don't consider I need to. SMF had carried out a verification check on Mr C's income. He'd declared his net income was around £2,500 each month. SMF used a net income each month of £1,931 which I consider was fair – meaning use of the lesser sum was a pragmatic and fair approach.

Mr C's credit report was obtained and SMF was aware that in the past he'd had issues: a series of defaults but the three most recent had been settled (meaning nothing outstanding on them) in June and July 2018. He did have a historic County Court Judgment. It did not provide a date for that but the date associated with it was August 2014. So that may have been the judgment date. It must have been within the previous six years as credit reports usually cover that period of time.

I accept that SMF is a lender which serviced 'sub-prime' customers meaning those who may have had some adverse on their credit history. The significance with Mr C's credit report SMF obtained was that the recently opened accounts meant that SMF could see Mr C had relatively little debt, and what he did have was being paid down satisfactorily with no recent indicators of any arrears or delinquencies.

Mr C's representative has made submissions surrounding a loan taken in November 2019 but that likely would have been too close to the SMF credit search date to have registered as new accounts often take 6 to 8 weeks to appear on credit reports. Mr C's representative listed other loans it says Mr C had at the time. But these may have been taken from Mr C's bank statements. SMF did not need to obtain a credit report but having done so it was reasonable of it to be able to rely on the information it saw and it needed to take heed of the information that report provided. Which I consider SMF did. I can't expect SMF to have been expected to have known of other credit commitments not declared by Mr C or not on that credit report it obtained. That would be disproportionate.

As for Mr C's other monthly costs, SMF has given us a list: living costs of £308, rental of £408, travel costs of £127, car insurance of £38, credit commitment costs of £65 plus it added in a buffer figure of £25. Our investigator has made the valid point, which I endorse, that despite being informed that Mr C was living at home with his parents then it factored in living costs and rental of around £700 a month. The rental allowance alone was over £400. Despite it not being likely that Mr C would have been at high risk of failing to pay his utility bills or being evicted due to rental arrears then SMF still added these sorts of costs into the affordability assessment it carried out

All of this indicated that the car finance agreement was affordable and that Mr C's personal living circumstances meant that he may have had even more disposable income available to him than the SMF calculations allowed for. Added to which it's highly likely that Mr C needed his car for work or to facilitate his lifestyle and I factor in that this was not a loan of cash it was a finance agreement for an asset.

Having come to those conclusions, as I consider it likely SMF did come to, then it would have had no reason to feel compelled to carry out additional checks. It follows logically that SMF would never have seen Mr C's bank statements. So, any further adverse or detrimental financial information on there would not have been seen by SMF.

SMF carried out proportionate checks. I do not uphold the complaint.

My final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 August 2025.

Rachael Williams
Ombudsman