

The complaint

Miss F complains through her representative that the finance monies Advantage Finance advanced her through a hire purchase agreement to obtain a car in June 2018 ought not to have been advanced. She says that she could not afford it. Miss F also complains that Advantage Finance did not support her with adequate forbearance during the times she was having difficulties repaying.

What happened

Miss F was approved for a hire purchase agreement in June 2018 for a second hand car with a price of £8,809. The finance costs altogether including fees added to the price came to just over £16,136 being the total amount Miss F had to repay. Miss F did not pay any deposit. The repayment terms were 59 monthly repayments of just over £266 each month and one final payment of just over £441. Miss F repaid the agreement in July 2023.

After she'd complained in January 2024, Advantage Finance responded in May 2024 in which it gave reasons why it did not think it had lent irresponsibly. But it made an offer to refund some charges to recompense Miss F for the period she was struggling to pay and it had charged her fees. That was £531 and that offer has been reiterated recently.

Miss F referred her complaint to the Financial Ombudsman Service. One of our investigators considered that Advantage Finance had not carried out proportionate checks but having carried out research on Miss F's actual income and expenditure for the period leading up to June 2018 he considered she could have afforded the hire purchase cost anyway.

Miss F disagreed and her representative sent Income and Expenditure (I&E) figures to substantiate its claim that Miss F could not afford the repayments in 2018. 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 Miss F's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Miss F's complaint.

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 Miss F 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 has explained what it did to verify Miss F's income when she applied and that it used statistical data for the general expenditure Miss F was likely to face. That may have been satisfactory if there'd been no other elements likely to have caused some concern to Advantage Finance. And there were. Miss F had three County Court Judgment debts (CCJs) in July 2016, June 2017 and November 2017 the last two of which were proximate to the application date of 2 June 2018. Added to which Miss F had four defaulted accounts from June 2016 to August 2017. So, it needed to have carried out further and more comprehensive checks before agreeing to advance Miss F the monies to obtain the car.

Asking Miss F for further information about her financial situation may have involved her supplying copies of utility bills, copy payslips and evidence of other expenditure and credit accounts for which she was liable.

A convenient method, one of several available, was to have reviewed copies of Miss F's bank account statements which usually show a wider picture of her finances and how she was managing her money. I note that Advantage Finance has said it does not carry out this method if faced with having to carry out additional checks. But as this complaint is with me now and as Miss F's representative has forwarded copies of her statements to demonstrate to me her financial position in the period leading up to June 2018, then I consider it fair and reasonable of me to review those.

Miss F's representative has sent a comprehensive set of bank transaction lists all colour coded. Miss F had three accounts. One appears not to have been included in this summary and so I do not know the contents of those statements. The other two sets of transactions for each of those other two accounts I have reviewed for the two months leading up to the 2 June 2018 agreement date. Miss F received two sets of salary, several kinds of benefits. The total income for April 2018 and May 2018 combined: £7,305 which gives a figure for one month of £3,652 income. This is very similar to the three month average our investigator came to with his analysis.

The outgoings for one month identified on the bank transactions were mobile, TV licence, TV subscription service, two insurances, NHS prescription regular payment and payment to the council of £700 in May 2018 which likely was rent. These came to £1,039. Miss F's partner contributed regularly into one or the other of the accounts held by Miss F. These sums often were several hundred pounds. And other bills may have been paid by cash as there are many cash withdrawals. There are transactions for food and other living costs but any assessment would account for those costs with a fair figure. And it seems Miss F would have had enough to cover those costs of food and living costs plus the car loan cost.

There were no signs on either of the accounts of payments to other lenders and no returned direct debits or other signs usually associated with persons in financial difficulties. I think Miss F likely was able to afford the finance agreement and the repayments on it.

I consider it a fair and reasonable point made by Advantage Finance that this finance agreement was to obtain a car which in itself would have assisted Miss F in relation to her employment and, likely, the general convenience for herself and her ill son. I was sorry to read of those troubles.

In September 2024, I have seen a copy letter sent by Miss F's representative to Advantage Finance saying –

Three months before the agreement our clients [sic] average monthly incoming was £4152.66 and their outgoing was £4364.83. This left our client with a remaining average balance of -£212.17.

I do not consider that the bank transactions I have seen demonstrate these figures. More recently, following our investigator's view, Miss F's representative has submitted figures in an I&E to substantiate its view that Miss F was not able to afford the agreement repayments. However, it has assessed the transactions leading up to what it has said was an agreement of 30 June 2019 when this agreement was in June 2018. So, I discount this evidence completely as its submitted evidence for the incorrect year. I do not uphold the complaint

Forbearance

Advantage Finance was on notice from August 2019 and all through the Covid pandemic months and to November 2021, that Miss F was experiencing financial difficulties. The statement of account for the finance agreement showed that Miss F paid well up to August 2019 and then due to changes in circumstances she paid intermittently and/or on a payment plan. She paid it off in July 2023.

I've also considered that the credit agreement allowed for additional interest, fees, and charges and for the contracted interest to be levied on the balance. But equally, Advantage Finance had an obligation to treat Miss F fairly and with forbearance – and there were a number of options available to Advantage to help Miss F such as suspending or cancelling interest.

Having thought about what happened here, I'm satisfied Advantage Finance extended forbearance and assistance to Miss F as it could have defaulted the agreement earlier rather than continue to allow Miss F to repay what she could until 2021. Miss F appears to have been on a fairly regular repayment plan from November 2021. But it has accepted that it ought to have gone further. It has offered Miss F a refund of the charges it ought not to have added to the account of £531.

Miss F must approach Advantage Finance directly to claim that refund – but I will not be asking it to do anything more.

I've also considered whether Advantage Finance acted unfairly or unreasonably in some other way given what Miss F has complained about, including whether its relationship with Miss F might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss F 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.

Advantage Finance has made an offer which I think results in fair compensation for Miss F in the circumstances, so I don't think s140A would make a difference here.

My final decision

My final decision is that I do not uphold the complaint.

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

Rachael Williams
Ombudsman