

The complaint

Mr C, through his representative, complains that Specialist Motor Finance Limited (“SMF”) lent to him irresponsibly by approving finance for him to purchase a vehicle when he could not afford it.

What happened

In November 2022 Mr C applied to SMF for credit to finance the purchase of a vehicle. Mr C had already had three car finance agreements with another lender since 2016, the latest having ended in January 2022.

I have rounded figures in this decision for ease of reading. For this application to SMF in November 2022, the total to pay for the car including the cash price and the interest and fees was £27,695. Mr C paid a £900 deposit. The monthly instalments were 57 at £462 each month and a final payment of £472 which included an option to purchase fee of £10. Mr C settled the agreement early in April 2024.

Mr C’s representative has pointed to what it considers was a ‘clear risk factor’ being two defaulted accounts from 2014 and 2016 which were with debt collectors when Mr C was applying to SMF.

Whereas SMF says that all proportionate and satisfactory checks were carried out before lending and Mr C could afford the car finance.

After the complaint had been referred to the Financial Ombudsman one of our investigators considered it and thought that the complaint ought not to be upheld. Mr C disagreed and 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 his complaint.

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

The notes and submissions to us from SMF show Mr C had said he was living at home with his parents and had been employed full time at his current employer since September 2019. SMF has told us that Mr C declared a monthly salary of £2,220 each month and explained:

The declared income was electronically verified using [named Credit Reference Agency] affordability product TAC. The returned result indicated that the declared income was verified using either stable sole current account turnover data or recently validated salary data and was not overstated.

SMF carried out a credit search and I've seen those results. Including payments made to two defaulted accounts plus an £85 a month payment to a current and live loan, SMF calculated that his monthly credit commitment cost was £434.

The two defaulted accounts (both store or credit cards) dated back to March and April 2019 and he'd had payment issues on a loan which he'd settled in March 2019. He was repaying the two defaulted accounts still at £223 and £125 a month. SMF was aware of these.

Although I appreciate that Mr C's representative has said that these two defaulted accounts ought to have been alerts to SMF, in Mr C's favour when looking at the credit check results are three elements. The first element was that Mr C was repaying the defaulted accounts regularly and so had not let them slip into county court judgments and had not arranged any insolvency. The second element of a positive character for SMF to have seen is that Mr C had had three hire purchase or conditional sale agreements in the past, all three successfully repaid. And the third element was that since those defaulted accounts in early 2019 Mr C had no further adverse data recorded which indicated that the recent history had been satisfactory.

So, I consider a combination of the historic nature of the defaulted accounts combined with the fact that the more recent record showed no adverse data leads me to think that SMF likely would not have had too much of a concern.

SMF used ONS statistics and other published information and has explained that even though Mr C had said he was at home with parents still it had factored in a cost for rent. It used the following figures: cost of property: £451, cost of living: £381, travel cost of £110 and car insurance of £53.

Total expenditure including the £434 for the credit commitment cost and a £150 buffer (or margin) added up to £1,579 which when subtracted from his verified income of £2,220 was £641 left over. This would have been enough to afford the car.

Considering all that I have seen, including the fact that Mr C had been living at home with his parents, then for SMF to use and rely on ONS data for his general living expenditure would not have been contrary to the regulatory requirements. And the figures it may have used for that ONS living expenses data likely would have been more than the reality for Mr C, as it's not likely that he was paying full market rent plus bills to live at home. And further, I do not consider that Mr C would have been exposed to the risk of non-payment of priority bills and/or rent arrears likely to lead to eviction.

In line with the regulatory framework, I am satisfied that SMF took reasonable steps to obtain information from Mr C and then based its creditworthiness assessment on this information which it considered sufficient. And, where it deemed it necessary, SMF also cross referenced the information that Mr C had provided with information from a credit reference agency and used other reliable information. I consider proportionate checks were carried out. I do not uphold the complaint.

I've also considered whether SMF acted unfairly or unreasonably in any other way and I have 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 it lent irresponsibly to Mr C or otherwise treated him 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

My final decision is that 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 10 September 2025.

Rachael Williams
Ombudsman