

Complaint

Mr M complains that First Response Finance Limited (“First Response”) 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 July 2019, First Response provided Mr M with finance for a used car. The purchase price of the car was £8,386.84. Mr M didn’t pay a deposit and entered into a hire-purchase agreement with First Response for the entire amount.

The loan had interest, fees and charges of £4,392.80 and a 48-month term. This meant that the total amount to be repaid of £12,779.04 was due to be repaid in 48 monthly instalments of £266.23.

Mr M complained that the agreement was unaffordable and so should never have been provided to him. First Response didn’t uphold Mr M’s complaint. Mr M remained dissatisfied and referred his complaint to our service.

The complaint was subsequently considered by one of our investigators. She didn’t think that First Response hadn’t done anything wrong or treated Mr M unfairly. So she didn’t recommend that Mr M’s complaint should be upheld.

Mr M 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 M’s complaint.

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

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

First Response says it agreed to this application after Mr M provided details of his monthly income which it says it verified with copies of payslips. First Response says it also carried out credit searches on Mr M which showed that Mr M had a couple of defaulted accounts and a settled county court judgment ("CCJ") recorded against him. However, it considered this to be historic and, in its view, there wasn't anything to indicate that Mr M might go on to have difficulty making the payments he was committing to.

In First Response's view, when the amount due on Mr M's existing credit commitments plus an estimated amount for Mr M's living expenses, based on statistical data, were deducted from his monthly income the monthly payments were affordable. On the other hand, Mr M 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 M and First Response have said.

The first thing for me to say is that, unlike our investigator, I don't think that it was reasonable for First Response to use living costs based on statistical data for Mr M, given there wasn't anything to suggest that Mr M fell within the profile of the average borrower, which such statistics were based on. Indeed, Mr M's adverse credit history suggested that he fell outside the profile of the average borrower.

As First Response didn't carry out sufficient checks, I've gone on to decide what I think First Response is more likely than not to have seen had it obtained further information from Mr M. Bearing in mind, Mr M's previous difficulty and the amount of the monthly payment, I would have expected First Response to have had a reasonable understanding about Mr M's regular living expenses as well as his income and existing credit commitments.

However, the information Mr M has provided does not appear to show that the estimates First Response used were wildly out of kilter with his actual position, or that using Mr M's actual regular living expenses would have shown that he did not have the funds to sustainably make the repayments due under this agreement. So the available evidence suggests to me that First Response is unlikely to have a different decision on lending, even if it had carried out further checks.

I note that Mr M has now carried out a line-by-line analysis of his bank statements and in his view he didn't have enough left over for emergencies once the payments to this agreement was deducted from his disposable income. The first thing for me to say is that Mr M's analysis has been carried out with the use of bank statements and this includes all of his expenditure. In these circumstances, I don't think that the amount Mr M had left over means that it was unreasonable for First Response to have lent to him.

I also have to keep in mind that Mr M's most recent submissions are being made in support of a claim for compensation and any explanations Mr M would have provided at the time are more likely to have been with a view to persuading First Response to lend, rather than highlighting any unaffordability. So I think it unlikely that Mr M would have volunteered that he had the level of expenditure he's now referring to, particularly as First Response wasn't required to request bank statements from him in the first place.

Overall, while I don't think that First Response's checks before entering into this hire-purchase agreement with Mr M 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 M. So I've not been persuaded that First Response acted unfairly towards Mr M when it agreed to provide the funds.

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

However, for the reasons I've explained, I don't think First Response irresponsibly lent to Mr M 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.

So having carefully considered everything, I've not been persuaded to uphold Mr M's complaint. I appreciate that this will be disappointing for Mr M. 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 M's complaint.

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

Jeshen Narayanan
Ombudsman