

The complaint

Ms H complains N.I.I.B. Group Limited trading as Northridge Finance (Northridge) provided her with an unaffordable hire purchase agreement.

Ms H's complaint has been referred by a professional representative, but for ease I'll refer to all submissions as though they are her own.

What happened

Northridge approved Ms H with a hire purchase agreement via a credit intermediary in August 2017. She paid a deposit of £100 and was lent a capital amount of around £7,000 with a total repayable value of around £9,300. The agreement was repayable over 48 monthly instalments of around £145 and had an optional final payment of around £2,350. Ms H repaid the agreement in full in line with the original terms in September 2021.

Ms H complained to Northridge in May 2024 about unaffordable lending. She said had it completed proportionate checks in line with its regulatory obligations it would have identified the agreement was unaffordable for her.

Northridge didn't uphold Ms H's complaint. It said its checks were proportionate to the terms of lending being provided, and that it went on to make a fair lending decision based on these checks. Unhappy with Northridge's response Ms H brought her complaint to our service.

Our investigator upheld the complaint. On review of the information she considered Northridge should have conducted more detailed checks; and she concluded that had it done so it ought reasonably to have identified the agreement wasn't affordable for Ms H.

Ms H accepted our investigator's view; Northridge didn't. In summary, it maintained its position that its checks were proportionate, and it had reached a fair lending decision when approving this agreement for Ms H.

Northridge asked for an ombudsman's review, so the complaint's been 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.

The information in this case is well known to Ms H and Northridge, so I don't intend to repeat it in detail here. I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Ms H or Northridge by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. Both Ms H and Northridge have been made aware of this approach in our investigator's view.

At the time Northridge provided Ms H with this agreement it was required to carry out proportionate checks. These checks needed to assess Ms H's ability to afford the agreement and repay it sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't sufficient for Northridge to just complete proportionate checks – it must also consider the information it obtained from these checks to go on and make a fair lending decision when providing this agreement. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

I've followed this approach when considering Ms H's complaint.

Northridge says it obtained information from Ms H and/or the credit intermediary about Ms H's employment, and information from credit reference agencies. It has said it received a strong credit score from its checks suggesting Ms H wasn't showing any signs of financial distress, and based on these checks it was satisfied this lending was affordable. It also said in response to our investigator's view that reviewing a customer's statements and validating their income wasn't an industry standard at the time of this lending event.

I've carefully considered Northridge's arguments; and like our investigator I'm not persuaded that its checks were proportionate, or that it went on to make a fair lending decision when providing Ms H with this agreement.

I say this because while I accept the regulatory obligations on Northridge weren't prescriptive in what information or evidence it should consider in determining affordability; it did need to reasonably satisfy itself that Ms H could sustainably afford to repay this agreement over the full term.

Ms H was being tied into a sizeable agreement, both in total repayable value and term. The results from the credit check Northridge completed seem to have assured it that Ms H could afford this agreement as she'd managed existing credit well. It also makes reference to Ms H having recently completed a separate hire purchase agreement which had a comparable monthly repayment. It has said this agreement had a good repayment record and this provided it with further assurances that Ms H would be able to maintain the similar monthly payments to this new agreement.

While Ms H may have recently settled an existing hire purchase agreement with a comparable monthly payment, I don't consider this in itself is an indication that Ms H wasn't in financial difficulties, or that her finances weren't stretched. The good repayment record could be masking that Ms H prioritised making payments to this credit agreement above other commitments or items. And while Northridge has said Ms H's credit score was strong, I don't consider this information alone is enough for it to have reasonable assurance that this agreement would be sustainably affordable for her across the full term.

I therefore consider proportionate checks in this instance ought reasonably to have led to Northridge looking to understand Ms H's overall financial position, by verifying her income and expenditure, to ensure this agreement was sustainably affordable for her.

Northridge could have looked to verify this information in a number of ways. Ms H has provided our service with bank statements covering a period of three months before this lending was approved. In the absence of any other conflicting information, I consider these statements allow me to reasonably understand what Northridge would likely have identified about Ms H's financial circumstances through more detailed checks.

Ms H's income is made up of a salary and benefits. She's also confirmed she received child support payments, which appear to be consistent across the months I've reviewed. Totalling these credits Ms H's income averages around £1,100 a month.

I've also seen Ms H's non-discretionary expenditure through the statements with payments towards rent, utilities and subscriptions for example. These average around £605 each month. Taking into account repayments to this new hire purchase agreement of around £145, Ms H is left with around £350 disposable income each month.

I don't consider this is a reasonable level of disposable income given the average monthly cost Ms H would have needed to spend on food as well as travel/petrol expenses and other costs that would be associated with the vehicle. And as Ms H had a dependent it's reasonable to suggest she'd be someone more likely to incur unexpected costs on a monthly basis; which I consider more detailed checks would likely have identified and would therefore have been factored into any affordability calculations.

I consider Northridge ought reasonably to have concluded through proportionate checks that this agreement wasn't sustainably affordable for Ms H; and that by providing her with the credit it was likely to cause financial difficulties or financial harm.

As such I'm satisfied Northridge didn't make a fair lending decision when providing Ms H with this credit agreement; and it therefore needs to take action to fairly resolve this complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Ms H in the circumstances of her complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I've found Northridge shouldn't have provided this lending, I don't consider it should be able to charge Ms H interest, fees or charges in relation to this agreement. But Ms H has repaid the agreement in full, and has had the benefit of the capital lent. So, in order to put things right Northridge should:

- Refund any payments Ms H has made in excess of £7,071.99 which represents the original cash price of the car
- Add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Ms H's credit file regarding this agreement.

*HM Revenue & Customs requires Northridge to take off tax from this interest. It must give Ms H a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I'm upholding Ms H's complaint and N.I.I.B. Group Limited trading as

Northridge Finance need to settle it in line with my above direction.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 3 July 2025.

Richard Turner
Ombudsman