

The complaint

Mr D says FIRST RESPONSE FINANCE LIMITED, ('First Response'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a hire purchase agreement to purchase a car. He says that 'suitable' checks would have resulted in the credit application being declined

Mr D's complaint has been brought by a representative and I've referred to Mr D and the representatives' comments as being from Mr D for ease of reading.

What happened

This complaint is about a hire purchase agreement that Mr D took out to purchase a used car in July 2021. The vehicle had a retail price of £6,998 and all of this was financed. This agreement was to be repaid through 54 monthly instalments of £251.61. If Mr D made the repayments in line with the credit agreement, he would need to repay a total of £13,587.48.

Mr D repaid the finance early and he has started a new agreement. First Response says that Mr D didn't have any repayment problems during the agreement.

Mr D complained to First Response saying that it was acting irresponsibly when it lent to him, and if it had made better checks it wouldn't have lent to him.

First Response considered this complaint, and it didn't uphold it. It thought it'd done adequate checks, which showed that Mr D could afford the lending. Mr D didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr D's complaint. She thought First Response did proportionate checks and these showed the loan was affordable.

Mr D didn't agree with the Investigator. He said, over several correspondences, that:

- He would have very little left over after the new finance repayments and the vehicle running costs. He had very little left to pay his basic living costs.
- The use of statistical data did not fully reflect Mr D's actual financial obligations.
- The fact that he was in an Individual Voluntary Agreement ('IVA') should have prompted a more detailed look at his circumstances.
- There were some signs he was struggling to repay his existing expenses, and it was noted that petrol expenditure could take him 'over' at the end of the month.

Because Mr D didn't agree, this matter has been passed to me to make a final decision.

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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did First Response complete reasonable and proportionate checks to satisfy itself that Mr D would be able to repay the credit in a sustainable way?
 - a. if so, did First Response make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr D could sustainably repay the borrowing?
2. Did First Response act unfairly or unreasonably in some other way?

And, if I determine that First Response didn't act fairly and reasonably when considering Mr D's application, I'll also consider what I think is a fair way to put things right.

Did First Response complete reasonable and proportionate checks to satisfy itself that Mr D would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

First Response asked Mr D what his income was, and it found out that this was around £1,770 a month. It verified this using his payslips and some bank statements. I think it's reasonable to say that First Response found out what Mr D's income was.

Mr D also told First Response that he was employed full time, and he was married with no dependents. He was living in a privately rented property and had been at the same address for the last eight and a half years.

First response checked Mr D's credit file, and it didn't find any recent credit repayment problems. Mr D had taken some credit in the past, around four years ago, that he was unable to repay. First Response did ask Mr D about this at the time, and he explained that these debts were started some time ago and his repayment problems were caused by his circumstances at the time, but his circumstances had now changed.

As a result of this he was in a Scottish Trust arrangement, or an IVA, to repay these debts. It's not clear which from the file as it's referred to both, but these are similar arrangements, so I don't need to know exactly which one it was. First Response also asked the IVA practitioner or Trust if it had any objections to it starting the hire purchase arrangement with Mr D. It said it had no objections to this. And in fact, Mr D said that the Trust recommended that he start finance to acquire a car.

First Response asked Mr D what his expenditures were in broad terms, and it also used statistical information to cross reference these figures. It thought that his expenditure would be around £1,100 a month using statistical estimates which included a £330 monthly payment to his existing creditors.

Using the bank statements, and asking Mr D some questions, it found out that he spent just over £1,500 each month. This included payments to his creditors of about £450, the payment he made to his partner for bills and rent of just over £600, and about £350 of child maintenance. These amounts included the finance he already repaid which was being replaced. Plus, some other normal household expenditures.

Having considered everything, I think the checks First Response made were proportionate and showed that Mr D could likely afford the repayments.

There have been some discussions between our Investigator and Mr D about how exactly Mr D's bank statement entries should be interpreted. I can see that Mr D doesn't think he would have enough left over after his ordinary expenditures were accounted for, plus the finance and car running costs. And his representative has provided some calculations that is says show this.

But I don't think these calculations take into consideration that this new agreement was to replace one that Mr D was already paying for, of around the same amount. And he'd repaid this without issue for some time. And he would also already be paying car running costs and so these didn't need to be estimated. I don't think it's reasonable to say his costs would materially increase with the new agreement.

Overall, I don't think Mr D's representatives' calculations conclusively show the lending wasn't affordable for him.

And I've looked at the bank statements provided, and they show very little evidence of financial difficulties. Mr D does occasionally use his overdraft by very modest amounts, and I can see some late payments. But I don't think these show the car finance wasn't affordable for him.

And Mr D was in an IVA or the Scottish equivalent of this. But First Response did take this into account and ask to see bank statements, and 'interview' Mr D before lending. I don't think it needed to do further checks due to the IVA.

And it's worth noting that the affordability of the finance was demonstrated when Mr D didn't have problems repaying it over time.

Did First Response act unfairly or unreasonably in some other way?

I've also considered whether First Response acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

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

I haven't seen anything to make me think First Response acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 24 September 2025.

Andy Burlinson
Ombudsman