

## **The complaint**

Mr J complains First Response Finance Limited (First Response) irresponsibly lent to him because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable.

## **What happened**

Mr J entered into a hire purchase agreement with First Response on 2 February 2020 in order to acquire a used car. The cash price of the car was £8,000 and Mr J made no advance payment. The total amount payable was £12,812.03 and the duration of the agreement was 49 months. The monthly repayment was £261.47. The agreement was settled early in April 2023.

Mr J is represented in his complaint but for ease of reading I'll simply refer to Mr J throughout this decision. Mr J complained to First Response on 16 December 2024. He was concerned about the lending decision made by First Response and said it had created an unfair relationship under Section 140A of the Consumer Credit Act 1974.

First Response responded to the complaint on 14 January 2025. It said the checks completed had been reasonable and proportionate. Also, that it made a fair lending decision based on the information which had been obtained. Therefore, it didn't uphold the complaint. Mr J remained unhappy and asked our service to investigate. Our Investigator issued his view explaining why he didn't think the complaint should be upheld. He felt the checks were reasonable and proportionate and that First Response had made a fair lending decision.

Mr J didn't agree with our Investigator's findings. In summary, he said:

- For the three months leading up to the lending decision, Mr J's average income was £1,405.52 which was made up of his monthly salary.
- His income and expenditure at the time left him with an average disposable income of £403.84 and after the car repayments he would only be left with £142.37. This is only £35.59 per week. This is not enough to cover any emergency costs.

As Mr J didn't agree with our Investigator's view, the case has 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.

Mr J complains about First Response's lending decision and that the irresponsible lending gave rise to an unfair relationship. Our approach to complaints about irresponsible lending is set out on our website. In summary, I need to consider the following questions to decide what's fair and reasonable:

1. Did First Response carry out reasonable and proportionate checks to satisfy itself

that Mr J could sustainably afford the repayments?

- If so, did it make a fair lending decision?
- If not, what would reasonable and proportionate checks have shown at the time?

2. Did First Response act unfairly or unreasonably towards Mr J in some other way?

First Response had to carry out reasonable and proportionate checks to satisfy itself that Mr J would be able to repay the credit sustainably. It's not about First Response assessing the likelihood of being repaid, but it had to consider the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

*Did First Response carry out reasonable and proportionate checks to satisfy itself Mr J could sustainably afford the repayments?*

In respect of his circumstances, First Response understood Mr J was living with parents and had no financial dependents. First Response verified Mr J's net monthly income figure as £1,436.25 based on information from his payslips.

I've noted what Mr J has said about his average income in the three months leading up to the lending decision and that this was lower than the figure used by First Response. I've reviewed the payslips and also considered the year-to-date salary figures. I'm also mindful Mr J called First Response to confirm he would be receiving a pay increase to £1,600 going forward. First Response used the figure of £1,436.25 for his net monthly income in its affordability assessment. His net income did seem to fluctuate and there were also some overtime payments. However, First Response discussed the income information with Mr J and also considered his year-to-date income as shown on his payslips. The November 2019 payslip showed a reduced payment, but this seems to have been because of unpaid sick leave. Taking everything into account, I think it was reasonable for First Response to use the figure it did, and I don't think it needed to obtain further information.

First Response also completed a credit check. It showed three active unsecured loans. Mr J had a repayment plan for one of the accounts which he seemed to have fallen behind with a year prior to the lending. First Response said this account had been defaulted a year prior to the lending. Noting this, First Response asked him for more information during an interview call. Mr J explained he had a repayment plan for this account and he wasn't sure why he had initially fallen behind but confirmed he was paying £50 towards the loan. It also asked him about another short-term loan which had been taken out shortly before the lending and Mr J confirmed this was taken out whilst he had been off work.

Additionally, he also had two other defaulted accounts which had been defaulted two years before the lending decision. First Response took the repayments into account. Overall, there was some adverse information on Mr J's credit file, but he seemed to be managing things at the time of the lending agreement and didn't appear to be overindebted or reliant on credit. First Response calculated the repayments towards his credit commitments as £172.37 based on the information it saw on his credit file, and this included payments towards defaults and the repayment plan.

In respect of Mr J's expenditure, First Response estimated his expenditure using data from the Office of National Statistics (ONS). It also obtained specific information about his housing costs which Mr J declared as £400. It also estimated cost of living as £370 and included

Mr J's credit commitments. Having done so, it determined he had disposable income of £493.88. Therefore, it felt Mr J had sufficient disposable income to afford repayments of £261.47 under this agreement.

Overall, I'm satisfied the checks were reasonable and proportionate. First Response verified Mr J's income and understood he was living at home with no financial dependents. Additionally, it obtained declared information about Mr J's housing costs and estimated the rest of his expenditure using ONS data. This was reasonable in the circumstances as Mr J had declared he was living at home and so First Response could expect his commitments to be relatively low. Mr J did have some adverse information on his credit file and First Response asked some further questions about this. So, it had obtained an explanation for some of the information it saw. At the time of the lending, the credit file didn't show he had a significant amount of other credit, and he seemed to be managing his repayments. I've also thought about the size and duration of the loan, the total amount repayable and the size of the monthly repayments.

Weighing up all the information I have, I'm satisfied First Response carried out reasonable and proportionate checks and obtained sufficient information in order to be able to make a fair lending decision.

*Did First Response make a fair lending decision?*

Although I think the checks were reasonable and proportionate, I must consider whether I think First Response made a fair lending decision based on the information it had. Having reviewed matters, I'm satisfied it did so. The affordability assessment carried out seems to have been reasonable and after repayments towards the agreement First Response could expect Mr J would be left with sufficient disposable income of around £232. I'm satisfied this was sufficient to ensure the agreement was affordable and sustainable in the circumstances.

In respect of Mr J's credit file, I don't think there was anything to suggest First Response shouldn't have lent to him particularly where the agreement seemed affordable. His overall indebtedness seemed low, and he was maintaining his payments. As noted, he did have some adverse information on his credit file. First Response interviewed Mr J about his credit commitments and received confirmation his financial situation had improved. It obtained a reasonable explanation in terms of a short-term loan and an ongoing repayment plan. Taking everything into consideration, I'm satisfied it reasonably seemed to First Response his financial situation had improved, and he was managing his finances. Additionally, it factored in credit commitments in its affordability assessment.

I'm also mindful Mr J has submitted statements from his open banking which show there seems to have been other lending not apparent on the credit file. So, I understand his actual repayments towards credit commitments seemed to have been higher than what was understood by First Response. However, First Response has provided a copy of the credit file information it saw, and I note it was provided by a third party. First Response also conducted an interview with Mr J about his credit commitments. Mr J was sent pre-agreement information which included confirmation of his income and expenditure as relied on by First Response. It set out how Mr J could get in touch if he felt this wasn't an accurate reflection.

Taking all of this into consideration, I don't think First Response had a reason to question the information it saw and seemed to have confirmation from Mr J that his financial circumstances had improved. So, overall, I don't think there was anything which would lead me to conclude First Response ought not to have lent to Mr J.

Mr J has also highlighted the gambling transactions on his statements. However, I don't think there was anything in the checks carried out by First Response which ought to have caused it concern here or suggest it shouldn't have lent. As mentioned, I don't think it needed to carry out any further checks.

Therefore, I'm satisfied First Response made a fair lending decision. The checks it completed were reasonable and proportionate. Also, it was reasonable for First Response to conclude from the information it obtained that Mr J would be able to sustainably afford the repayments.

*Did First Response treat Mr J unfairly or unreasonably in some other way?*

I've reviewed the account notes and statement of account as well as the other evidence I have. I can see Mr J missed some payments and fell behind on occasion. However, I can see First Response reasonably contacted Mr J. It allowed him time to catch up on payments and discussed the reasons for missed payments. This included sickness from work and necessary repair work. First Response gave Mr J flexibility when he encountered issues making the repayment. Overall, I don't think there is anything further which First Response needed to do here. The agreement was settled in April 2023.

I've also 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 First Response lent irresponsibly to Mr J 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**

For the reasons outlined above, I'm not upholding this complaint.

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

Laura Dean  
**Ombudsman**