

The complaint

Miss L, who is represented by a third party, has complained that Close Brothers Limited ('Close Brothers') irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In May 2020 Miss L acquired a used car financed by a conditional sale agreement from Close Brothers. The cash price was £3,295.01. Miss L was required to make 48 monthly repayments of £100.09. The total amount of credit repayable was £4,804.32.

Miss L says that Close Brothers didn't complete adequate affordability checks and that her financial situation worsened as a result of taking on the agreement. She says Close Brothers ought to have seen that the agreement wasn't affordable.

Close Brothers didn't agree. It said that it carried out a thorough assessment which included checking her income, credit history and that she could afford to meet the monthly repayments.

Our investigator didn't recommend the complaint be upheld. She thought that ultimately Close Brothers hadn't acted unfairly or unreasonably by approving the finance agreement.

As Miss L didn't agree, her complaint has therefore been passed to me for 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss L's complaint.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Before granting the finance, I think Close Brothers gathered a reasonable amount of evidence and information from Miss L about her ability to repay. I say this because it completed a credit check to understand how she'd been managing existing and previous finance arrangements and also verified Miss L's income by way of checking it against her declared occupation. Miss L told Close Brothers that she was receiving a net monthly income of £2,300.

Miss L was found to have successfully paid-up recent loans she'd taken out and was up to date with an ongoing loan which required monthly payments of £395. She was also running a credit card which looked to be up to date with payments. She owed a total of just over

£10,000 in unsecured credit. The credit check Close Brothers obtained didn't show any other adverse markings that suggested she'd had recent payment issues, such as arrears or an account going into default.

In this case, given the relatively modest monthly repayments she'd be making in relation to her level of income and what it already knew about what she owed in credit, I don't think Close Brothers needed to carry out further checks to establish that the new loan was likely to be affordable.

However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

The credit history Close Brothers saw didn't show or suggest any recent issues with repaying credit. I realise that's at odds with some payment issues that those representing Miss L have drawn our investigator's attention to. I've looked at these issues, as did our investigator.

The credit report Miss L has provided to us shows evidence of a default that was dated February 2019 but wasn't showing until April 2019. Not all credit taken out by a borrower will be visible to all credit reference agencies. Also, a creditor isn't required to register a default immediately. I've no way of knowing exactly what the circumstances are in relation to this particular default. Given the timeframe, it isn't necessarily surprising that it wasn't showing on Miss L's credit file when Close Brothers checked. Close Brothers were entitled to rely on what the credit report they obtained showed. Had the default been showing it would very likely have prompted a query. But I don't think I can say that it follows with any real certainty that the loan would have been declined because of it. I say this taking on board what Close Brothers had already seen about Miss L's overall financial situation.

I should add that I can also see that two of the settled loans that showed at the time, plus the one active loan, were taken out with the same high-cost credit provider. That suggests Miss L had gone back to them again as she was already known to them.

Having thought about all this, I'm therefore satisfied that the checks that were completed showed that the agreement was likely to be affordable to Miss L. So I don't think Close Brothers acted unfairly when approving the finance application.

I've also considered whether the relationship between Miss L and Close Brothers 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 Close Brothers lent irresponsibly to her or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I don't uphold this complaint.

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

Michael Goldberg
Ombudsman