

The complaint

Mr H, who is represented by a third party, complains that First Response Finance Limited ('First Response') irresponsibly gave him credit by way of a hire purchase sale agreement he says he couldn't afford to repay.

What happened

In May 2020, Mr H acquired a used car financed by a hire purchase agreement from First Response, borrowing £7,995. Mr H was then required to make 48 monthly repayments of £232.51. The total repayable under the agreement was £11,160.48.

The agreement was settled early in August 2022.

Mr H says that First Response didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable.

First Response didn't agree. It said that it carried out a thorough assessment which included a search of Mr H's credit file and checking his income and expenditure.

Our investigator looked into the complaint and didn't recommend the complaint be upheld. She thought First Response didn't act unfairly or unreasonably by approving the finance agreement.

As Mr H and those representing him didn't agree, the complaint has 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 Mr H's complaint.

Before granting the finance, I think First Response gathered a reasonable amount of evidence and information from Mr H about his ability to repay. I say this because, aside from the details he put in his application, First Response also interviewed him as part of its application process. It also completed a credit check in order to understand how Mr H had managed existing and previous finance arrangements. It also verified Mr H's income with a payslip and P60 and then asked him to provide details of his regular monthly outgoings.

However, just because I think First Response carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. I've therefore reviewed the information and evidence First Response gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr H.

Mr H was in full-time employment at the time and living at home with his parents. He told First Response he was earning £1,992 net per month, which was verified as part of the checks. He was also receiving a child benefit payment of around £34 each week.

His credit file showed a default from four years earlier which had been settled, so was no longer a significant concern. Aside from that, he was now running two store card accounts and repaying two loans. First response calculated these would be costing him around £320 per month in total. Whilst the historical default suggests that Mr H may have had some past financial difficulty, by the time he took out the agreement he appeared to be in much better control of his financial and debt commitments.

First Response also made allowance for Mr H's essential spending, that he was supporting a child and that he would be making a contribution towards his housing – that all worked out at around £670. So, Mr H looked to need around £1,100 to meet his necessary spending each month, leaving him with just over £1,000. First response allows a buffer for unexpected costs, so it worked out that he'd have around £770 available as disposable income. And that meant the new monthly payment of £232.51 was likely to be easily affordable for him.

Taking all of this into account, it follows that I don't think First Response acted unfairly when approving the finance application. And from what I've seen, First Response provided Mr H with such help and support as he needed during the course of the agreement, including when he decided to settle it early.

I've seen that the third-party representing Mr H disagreed with our investigator's finding, saying he'd be left with a negative figure for disposable income each month. This was based on its own income and expenditure calculations, including a loan that was repaid two months before the agreement as well as other loan repayments. This is information that didn't show up in First Response's credit check which it used to work out what Mr H owed at the time. So I can't reasonably expect First Response to have been aware of it. I would add that Mr H had the opportunity to discuss these additional credit repayments at the time, if he wished to. First Response can only reasonably be expected to allow for credit Mr H owed which shows up on the credit report. So this doesn't affect my decision finding.

I've considered whether the relationship between Mr H and First Response 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 H or otherwise treated him 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 Mr H to accept or reject my decision before 23 October 2025.

Michael Goldberg
Ombudsman