

## **Complaint**

Mr J complains that Billing Finance Limited (“Billing Finance”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

## **Background**

In January 2019, Billing Finance provided Mr J with finance for a new motorbike. The cash price of the vehicle was £1,780.00. Mr J paid a deposit of £1,600.00 and entered into a hire-purchase agreement with Billing Finance for the remaining £1,600.00 he required.

The loan had total interest, fees and charges of £1,348.20 (made up of interest of £1,347.20 and an option to purchase fee of £1) and a 48-month term. This meant that the balance to be repaid of £2,948.20 (not including Mr J’s deposit) was due to be repaid in 47 monthly instalments of £61.40 followed by a final monthly payment of £62.40.

Mr J’s complaint was considered by one of our investigators. She didn’t think that Billing Finance had done anything wrong or treated Mr J unfairly. So she didn’t recommend that Mr J’s complaint should be upheld.

Mr J disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

## **My findings**

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 irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr J’s complaint.

Having carefully considered everything, I’m not upholding Mr J’s complaint. I’ll explain why in a little more detail.

Billing Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Billing Finance needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr J before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

Billing Finance says it agreed to this application after Mr J provided details of his employer and his income, which it verified with copies of payslips that he was asked to provide. It says it also carried out credit searches on Mr J. And when reasonable repayments to the amount Mr J already owed were added to reasonable costs for living expenses and deducted from his income, he had sufficient funds left over to meet the low monthly payment due on this agreement.

On the other hand, Mr J says the monthly payments were unaffordable.

I've thought about what Mr J and Billing Finance have said.

The first thing for me to say is that Billing Finance has provided the output of the credit check it carried out at the time of Mr J's application. I accept that Billing Finance's credit check showed that Mr J did have defaulted accounts recorded against him and that it had been less than a year since the most recent default.

It's fair to say that recent defaults can be an indication of a customer experiencing difficulty and that the customer shouldn't be lent to. However, I need to weigh up the recent default against the fact that the monthly payments to this agreement were low and Mr J was paying an upfront deposit equivalent to three months' worth of payments. In these circumstances, I don't think that Mr J's defaults means that he shouldn't have been lent to.

I should add that at best, even if I were to accept that Mr J's previous defaults mean that further checks were necessary, which is arguable, any such checks would only have gone as far as finding out more about Mr J's regular living costs. And despite having been provided with significant opportunity to do so, Mr J hasn't provided anything to show that his actual living expenses significantly differed from the average data Billing Finance relied upon during its assessment.

So I've not anything to indicate that Billing Finance obtaining further information on Mr J's actual living costs would have seen it make a different lending decision in this instance.

I also have to consider Mr J's current submissions in the context that they are now being made in support of a claim for compensation. Whereas at the time of the sale, at least, Mr J saw it as an appropriate time to purchase a motorbike and wanted the one that he had chosen. In these circumstances, I think it's fair to say that any explanations he would have provided would have been with a view to persuading Billing Finance to lend to him, rather than highlighting that the agreement was unaffordable.

Therefore, I think that it is unlikely – and certainly less likely than not – that Mr J would have disclosed that his expenditure exceeded his income (in the way he now argues), if pushed for further information on his circumstances at the time, or that Billing Finance would have been in a position to know about this.

In reaching my conclusions, I've also considered whether the lending relationship between Billing Finance and Mr J might have been unfair to Mr J under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Billing Finance irresponsibly lent to Mr J or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I don't think that Billing Finance's

checks before entering into this hire purchase agreement with Mr J did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Billing Finance from providing these funds, or entering into this agreement with him. I appreciate that this will be disappointing for Mr J. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

### **My final decision**

My final decision is that I'm not upholding Mr J's complaint.

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

Jeshen Narayanan  
**Ombudsman**