DRN-5607009

The complaint

Mr L complains that Secure Trust Bank Plc trading as Moneyway ("Moneyway") entered into a Hire Purchase agreement with him when it was unaffordable.

Mr L has brought his complaint using a professional representative but for ease I will refer to Mr L throughout.

What happened

In January 2019, Mr L acquired a vehicle, which cost £6,049.00. The full amount was borrowed through a Hire Purchase agreement with Moneyway that was due to run for 60 months.

The total amount payable under the agreement was £9,340.00, of which £3,291.00 was interest, fees and charges. This would entail 60 payments of £155.50, and the final payment would include in addition an optional purchase fee of £10.00.

Mr L complained in July 2024 saying that Moneyway didn't ask him for enough information to establish that he'd be able to repay the credit, because at the time he had significant outstanding debts which were in arrears.

Moneyway said Mr L had declared that he earned £1,300.00 per month. It says it analysed his credit file and current account information held by credit reference agencies which indicated that this was likely correct – and that this was proportionate in the circumstances.

It said it took into account reasonable repayments to the existing credit commitments evidenced in his credit file and Office for National Statistics ('ONS') expenditure data to estimate his outgoings. It says it considered the fact he declared he was living with his parents and estimated his expenditure to be £867.00 per month.

So it said it had carried out proportionate checks which indicated the lending was affordable and Mr L's credit file didn't indicate he was overindebted.

Mr L referred his complaint to our service in December 2024 and an investigator considered his complaint. They said that the number of missed payments on the credit Mr L already had, along with the size of the monthly payments compared to his income, should have prompted Moneyway to carry out additional checks to ensure the lending would be affordable.

They considered Mr L's bank statements from the time as a way of determining what Moneyway would likely have discovered if it had carried out additional checks. They found that Mr L's average income in the lead up to the application was just over £600.

They found Mr L's average expenditure left roughly £200 disposable, which was enough to cover the monthly payments of £155.50. They did note Mr L's consistent overdraft use, and while initially thinking there might be some missing bank statements, they thought the evidence they had indicated the monthly payments would have been affordable.

Mr L disagreed with the investigator's opinion and the complaint 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.

I'll make my decision based on the balance of probabilities – that means what I consider to have more likely than not happened – given the available information, including where information or evidence is missing or contradictory.

In order to reach my decision, I will first consider whether the checks were proportionate given the circumstances of the lending. If they were I will go on to consider whether Moneyway made a fair lending decision. If they weren't I will consider what proportionate checks would've told Moneyway.

Did Moneyway carry out proportionate checks to ensure Mr L could make the monthly repayments to this agreement?

Before lending, Moneyway needed to ensure it wasn't lending irresponsibly. In doing so, it had to carry out proportionate checks to establish the repayments were affordable for Mr L.

There are no specific checks that lenders must carry out, but they should have been proportionate to the circumstances based on what Moneyway knew about Mr L. You might expect checks to be more thorough for a consumer, for example, with lower income or previous debt issues. But the expectation of more detailed checks being carried out may be lower where, for example, the amount borrowed is low or the borrower has a long history of maintaining credit well. But there's no hard and fast rules and what's proportionate will vary depending on the circumstances.

I'm satisfied Moneyway cross-referenced Mr L's income declaration with credit reference agencies with a view to obtaining some form of independent corroboration. This wasn't a verification in my view. It was more a case of checking whether the information reported by Mr L's bank to credit reference agencies about his account turnover was consistent with the stated income figure. But I don't think that what Moneyway did can fairly and reasonably be considered an actual verification of Mr L's income. Nonetheless, given this cross-checking did suggest that Mr L's declaration was plausible, I consider that it was reasonable for Moneyway to rely on it in this instance.

It noted the repayments he was making towards credit of roughly £280 (which included an existing Hire Purchase agreement). It estimated his rent payment was £118 per month and then estimated that the remainder of his non-discretionary expenditure was £314. So it concluded that Mr L had roughly £600 disposable to cover the monthly payment of £155 for this Hire Purchase agreement. In isolation this would make it seem as though the lending may be affordable.

However, the information Moneyway obtained from credit reference agencies showed Mr L was over his credit limit on a mail order account, where he'd been in arrears in four of the last six months, and on a current account which had also recently been in arrears. He was also very near the credit limit on a credit card account and had been in arrears in four of the last six months. Finally, he'd recently missed a payment on his existing Hire Purchase agreement and a telecoms account.

Moneyway said Mr L's poor credit history wouldn't have been a reason not to lend to him. While Mr L's credit history may not have been a deciding factor in terms of Moneyway's own risk appetite, i.e. the likelihood of it receiving the repayments under the agreement, it ought to have been more of a prominent consideration in respect of the risk to Mr L of him not being able to make the repayments under the agreement.

I say this because Moneyway's assessment portrayed Mr L as very comfortably being able to make the repayments under the proposed agreement. Nonetheless, this was clearly at odds with Mr L's recent history of not managing credit well. As part of Moneyway's affordability assessment it had to consider Mr L's ability to make the repayments without having to borrow further in order to do so and without experiencing significant adverse consequences, so I think that it was incumbent upon Moneyway to obtain further information rather than rely on its estimates.

To be clear, I'm not saying that it is never proportionate for a lender to rely on statistical data or that Mr L's rent and living expenditure was definitely more than what Moneyway estimated them to be. What I'm saying is that the rest of the information gathered called Moneyway's estimates into question and that in these circumstances it was necessary for it to carry out further checks.

Given the circumstances here, I think that Moneyway needed to find out more about Mr L's actual living expenses in order to be in a position where it could reasonably determine that the monthly payments were affordable for him. As Moneyway didn't do this, I'm satisfied that the checks that it carried out were not proportionate in the circumstances of this particular application.

What would proportionate checks have shown?

As I've concluded that Moneyway's checks weren't proportionate in these circumstances, I've gone on to consider what it carrying out such checks would more likely than not have shown.

I've explained that in order for Moneyway's checks to have been proportionate, it needed to find out about Mr L's actual living costs. I can't guarantee what information it would have been provided with or what would have been evidenced in this information, if required, at the time. However we've been provided with a copy of Mr L's bank statements for the months leading up to the application.

I wish to be clear in saying that Moneyway was not required to request this information before it lent to Mr L. Nonetheless, I consider this information to be a reliable resource and one I can reasonably consider in order to recreate what a proportionate check would more likely than not have shown at the time.

Moneyway's original assessment put Mr L's expenditure, excluding the payment for this agreement, at roughly £700. This included an existing Hire Purchase agreement which was being settled as a result of entering into this new agreement and his existing debts. The new agreement's repayments were £20 lower than the previous one, so this doesn't significantly alter the £700 expenditure figure which had been originally relied upon.

But if Moneyway had sought to understand more about Mr L's expenditure, which I think would have been reasonable in the circumstances, the evidence I've seen indicates that Mr L's committed regular expenditure was actually lower than what Moneyway had estimated it to be. It looks like Mr L was paying less towards living expenses, likely because he was living at home with parents, though in order to repay his outstanding debts sustainably he would've likely required to make slightly higher repayments than estimated. But either way it wouldn't have led to Moneyway concluding that Mr L's income wasn't enough to cover his non-discretionary expenditure.

In reaching my conclusions, I've noted that Mr L's actual income seems to have been significantly lower than the £1,300 he declared. It's unclear why Mr L inaccurately declared his income. However, Moneyway did cross-check this information with credit reference agencies, which it was allowed to do in the circumstances and means that it was entitled to rely on the declared figure. Mr L also received other consistent payments each month, averaging at least £200, which shouldn't be neglected as part of this assessment.

Mr L's debts did make up a significant proportion of his income and he hadn't been keeping up with his existing debts. However it's not clear that proportionate checks would've shown this Hire Purchase agreement would negatively impact his financial situation. A review of Mr L's bank statements indicates that the way his non-discretionary spending was being managed may have been impacting his finances, leading to adverse credit history – but Moneyway wasn't required to analyse his statements in-depth in this way. And, although Mr L went on to default on this agreement, that doesn't mean that proportionate checks at the outset would have shown he shouldn't have been lent to.

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

However, for the reasons I've explained, I don't think Moneyway irresponsibly lent to Mr L 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. So I'm not upholding this complaint.

My final decision

My final decision is that I do not uphold Mr L's complaint against Secure Trust Bank Plc trading as Moneyway.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 11 September 2025.

Scott Walker
Ombudsman