DRN-5619418

The complaint

Mr I, through his representative, complains that Specialist Motor Finance Limited ("SMF") approved a car finance agreement for him which he could not afford.

What happened

Mr I was approved for car finance by SMF on 8 July 2022. The cash price was £9,600 for the car, there was a £10 option to purchase fee included in the final instalment. The total to pay was £13,280.68. The instalments were 35 monthly payments of £368.63 followed by the final instalment of £378.63. There was no deposit paid and no part exchange. I have used rounded figures in the rest of this decision for ease of reading to dispense with the need for citing pence.

In October 2023 Mr I explained he was out of work and needed to hand the car back. Voluntary Termination ("VT") was confirmed in late October 2023. In November 2023, the vehicle was collected and sold and the report relating to damage, repairs and shortfall all sent to Mr I. In November 2024, the Statement of Account we have from SMF indicated that Mr I was repaying the amounts he still owed at £50 a month.

After Mr I had complained in September 2024 he received SMF's final response letter late October 2024. Then it was referred to the Financial Ombudsman Service where one of our investigators considered it and thought that SMF had carried out the right checks and so she did not uphold the complaint. The unresolved complaint was passed to me to decide.

After I'd reviewed the complaint and identified that Mr I had been in an Individual Voluntary Arrangement in the past ("IVA"), I carried out a search discovered that Mr I had entered into a further IVA commencing May 2025. He has confirmed that the Insolvency Practitioner (IP) linked with this IVA does have an interest in the complaint in respect of any redress which might be payable.

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

SMF needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr I 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 – suggesting the lender needed to know more about a prospective borrower's ability to repay.

Mr I informed SMF when he applied that he earned £2,500 a month after tax, he was married, a homeowner and gave the name of the employer which had a name resembling that of an interior decoration or interior design company. There was no mention of him being a taxi driver. SMF has said that it verified that income using a credit reference agency checking tool. This is an industry wide utilised tool and I am satisfied it was reasonable of SMF to use that and then rely on the outcome. SMF said in its final response:

> *'We assessed* [Mr I's] *application using a combination of data sourced from Credit Reference Agencies, Office of National Statistics, and industry publications to determine an affordability amount.'*

SMF defined 'non-discretionary expenditure' as his 'needs' which included rent, living expenses, utilities groceries and similar outgoings. It also added a £100 'buffer' by which it means an additional financial margin. It had calculated Mr I's cost of living to be around £931 – I have rounded the figures for ease of reading. This it has listed for us as including cost of living amounts, car insurance, travel costs, and rent.

SMF did a credit check as well and obtained a monthly credit commitment cost of just over £257 a month. SMF discovered that he had 12 active credit accounts all of which were up to date, four settled accounts and one default registered over five years before he applied to SMF. When this was added to the £931 then the total monthly committed expenses for Mr I came to £1,188.

So, with the £100 'buffer' and his income of £2,500 it calculated Mr I had just over £1,212 left over each month. So SMF considered the monthly repayments of £369 for the car affordable.

I have reviewed the credit search results SMF did and the copy it has provided to us does not show a particularly poor history. He had a low overall debt balance, part of which was for an existing HP agreement. With nothing to prompt SMF to be concerned in relation to his credit history then I consider that use of the non-discretionary expenditure figures was satisfactory for this car finance agreement.

I've seen evidence that Mr I was in an IVA from 17 June 2016 to 28 January 2022. This was his first IVA. Now Mr I is currently the subject of a new IVA which commended May 2025. And I thought about whether or not SMF ought to have known of that first (closed) IVA in July 2022. There's no evidence of it on the SMF credit search results I have been provided with.

I decided to cross-check the details surrounding that IVA with the two more recent personal credit report copies sent to us by Mr I's representative which covered Mr I's credit history for the past six years. Even those two do not reveal that he was in an IVA up to January 2022. And with that evidence as well as the SMF credit search results, then I cannot be sure that SMF's searches in July 2022 would have revealed Mr I's first IVA either. And so, I cannot say with confidence that SMF knew, or should have found out, about this first IVA.

And I have factored into the assessment and my thinking around the complaint that Mr I likely needed the car for his work or to facilitate his lifestyle. This credit agreement with SMF was not a cash loan but was to finance the purchase of a car chosen by Mr I.

Overall, I consider the searches and the application of the knowledge SMF had was proportionate.

Mr I's representative has prepared a detailed I&E based on his bank account statement transactions but as I do not consider that SMF would have been prompted to have carried out additional checks, and therefore would not likely have seen Mr I's bank account transactions in the lead up to July 2022, then this was not something I needed to consider reaching my decision.

I've also considered whether SMF acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr I 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.

I do not uphold the complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 25 September 2025.

Rachael Williams
Ombudsman