

The complaint

Mr P is complaining Startline Motor Finance Limited's acted irresponsibly in lending to him – he says the agreement was unaffordable.

What happened

In February 2022, Mr P took out a hire purchase agreement with Startline to finance the purchase of a car. He paid a deposit of £960 and borrowed £12,540 over a 60-month term, with monthly repayments of £337.75.

In January 2025 Mr P complained to Startline, saying they shouldn't have lent to him. He said he was in financial difficulties at the time and Startline hadn't done enough checks before lending to him.

Startline didn't uphold his complaint. They said they support applicants who have a lower credit rating and said they'd done a proper assessment of affordability before deciding to lend to Mr P. They said their assessment considered the following:

- Mr P's application said he was a married tenant, had lived in his current property since 2019, and had been employed full time as a manager since February 2007.
- His net monthly income of £4,000 was validated using an affordability tool provided by one of the credit reference agencies (CRA).
- The CRA data showed Mr P had an existing hire purchase agreement with monthly payments of £298 that was being well maintained. Settlement of the existing hire purchase agreement was a condition of approval of this new one.
- The CRA data also showed several other active lines of credit which had been paid well and were up to date at the time of application.
- On further review of the CRA data they identified four historic defaults, two of which had been repaid, and one of which was being repaid at a rate of £5 per month. And it showed Mr P had a County Court Judgment (CCJ) from 2016.
- They estimated Mr P's credit commitments from his credit file and determined after taking out this agreement he'd have around £3,130 per month left over to cover his costs of living and discretionary spending.

So, they said, they'd completed a reasonable assessment of creditworthiness, identifying no material risk of affordability issues.

Mr P wasn't happy with Startline's response, so he brought his complaint to our service. In doing so, he said he was gambling heavily at the time of the lending decision. He said he was in financial difficulty, permanently £3,000 overdrawn, and had multiple bounced direct debits. He was upset that he hadn't been asked for his bank statements either before the agreement was approved or during the complaint process – which he felt meant it hadn't been investigated properly.

One of our investigators looked into Mr P's complaint but didn't think it should be upheld. He said he didn't think Startline had carried out proportionate checks at the time. But he said if they had, Startline still could have decided the agreement was affordable for Mr P.

Mr P wasn't happy with our investigator's opinion. He said he wasn't making his payments on time on his previous agreements – the direct debit bounced almost every month as could be seen on his bank statements. And he said he had no disposable income because he was always in his overdraft, which was technically the bank's money rather than his own. Mr P asked for an ombudsman's decision, and his complaint's been passed to me.

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.

Having done so, and recognising it'll be disappointing for Mr P, I'm not upholding his complaint for broadly the same reasons as our investigator. I'll explain further below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. It's important to note that there isn't a general requirement that firms review a prospective borrower's bank statements.

Did Startline carry out reasonable and proportionate checks?

Startline verified Mr P's income using an automated CRA tool. And they used his credit file to estimate his spending on credit commitments, as well as reviewing his credit history. They didn't take any steps to estimate Mr P's spending, concluding that £3,130 would be enough to cover his cost of living as well as discretionary expenditure. Whether or not these checks were enough depends on what the results showed.

Startline were happy with what they found in Mr P's credit file. I've looked at Startline's copy of Mr P's credit file. It shows 11 active accounts – a hire purchase agreement, two credit cards, an overdrawn current account, two mail order accounts, three unsecured loans, one hire purchase agreement and two telecommunications accounts. All of these appeared to be up-to-date and with no evidence of any recent missed payments. So it would have appeared he was managing his existing credit well.

I also need to consider the fact that settlement of Mr P's existing hire purchase agreement was a condition of this new one. It appeared from the credit file that he made all the payments under his existing agreement on time. And this new agreement was only around £40 per month more than Mr P's existing agreement. With a relatively small increase, especially when compared to Mr P's monthly income, it would have seemed likely that Mr P would be able to manage the repayments under the new agreement. I appreciate that Mr P's direct debit for his existing agreement was returned almost every month. But I can't say Startline ought to have been aware of this – it wasn't reported on Mr P's credit file because Mr P made up each payment within the month.

However, the credit file also shows that Mr P had defaulted on a small loan balance seven months before his application to Startline. And it shows he was near the limit on his £3,000 overdraft, and on one of his two credit cards. Finally, the credit report shows he'd taken out two unsecured loans within the preceding six months. Although the sums weren't significant,

with balances of around £800 each, these are all indicators that Mr P might not have been in a financially stable position. Because of that, I'm not satisfied Startline carried out reasonable and proportionate checks – I think they also ought to have taken steps to understand his expenditure.

What would Startline have found if they had done proportionate checks?

A proportionate check would have involved Startline finding out more about Mr P's expenditure to determine whether he'd be able to make repayments in a sustainable way. I'm satisfied their figures for income (of £4,000) and credit commitments (of around £530) were reasonable, so I've just looked at Mr P's other living expenses.

I wouldn't necessarily expect Startline to have looked at Mr P's bank statements before lending to him – I think it would have been reasonable for them to just ask him about his expenditure given his accounts were largely well managed. I can't say exactly what Startline should have asked, or what Mr P would have told them. Instead I've used a combination of what Mr P's told us and what his bank statements show to estimate his non-discretionary expenditure at the time. Having done so, I think it's likely he'd have told Startline he contributed £850 to rent and council tax and paid bills for energy, insurance, phone, TV etc totalling around £350. I didn't see any other regular committed expenditure.

On that basis, with income of £4,000, this agreement would have seemed to be easily affordable for Mr P – after making the payments under this agreement he'd have been left with around £1,900 per month to cover food, fuel, and discretionary spending. I'm satisfied Startline could therefore have fairly decided to lend to Mr P.

In relation to Mr P's comments about gambling issues, I can't say that Startline should have discovered these issues. I've seen from his bank statements that he was gambling heavily, and I appreciate how difficult this must have been. But there's no requirement for a business to review a potential customer's bank statements. And I can't say Mr P would have disclosed his gambling issues if Startline had asked about Mr P's spending.

Mr P's also said it was clear that he didn't have any disposable income because he was always overdrawn. But disposable income is what's left over after paying for essential living costs – it doesn't take into account discretionary spending. So being overdrawn isn't necessarily an indicator that someone doesn't have disposable income. People choose to manage their finances in different ways and this can include using an overdraft – it's not necessarily indicative of financial difficulties.

On balance, whilst I can understand Mr P's perspective, I'm not persuaded that Startline should have discovered the extent of his gambling. From the information they gathered and should have gathered if they'd done proportionate checks, I'm satisfied this agreement would have appeared affordable for Mr P and therefore I'm not upholding Mr P's complaint.

Did Startline treat Mr P unfairly in any other way?

I've also 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 Startline lent irresponsibly to Mr P 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.

My final decision

As I've explained above, I'm not upholding Mr P's complaint about Startline Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 15 October 2025.

Clare King
Ombudsman