

The complaint

Mr L complains that Specialist Motor Finance Limited ('Specialist') entered into a Hire Purchase agreement with him when it wasn't affordable. He has complained using a professional representative, but for ease I will refer to Mr L throughout.

What happened

In May 2022, Mr L acquired a vehicle, which cost £15,461.00. After paying a deposit of £100.00, the remaining £15,361.00 was borrowed through a Hire Purchase agreement with Specialist that was due to run for 60 months.

The total amount payable under the agreement was £23,609.00, of which £8,148.00 was interest, fees and charges. This would entail 59 payments of £391.65, and a final payment of £401.65 which included an optional fee of £10.00 if Mr L chose to keep the vehicle.

In December 2024, Mr L complained that Specialist hadn't carried out sufficient checks to ensure the lending was affordable. Specialist responded in January 2025, saying in summary that the checks it carried out were proportionate and these showed the lending to be affordable.

An investigator considered Mr L's complaint. They felt that Mr L's credit file showed he had recent arrears and was over his limit on an account – and that this should have prompted Specialist to have done further checks.

They said that looking at Mr L's transactions in the lead up to the application, his income averaged just under £1,800 per month. The non-discretionary expenditure they identified totalled just over £600, leaving almost £1,200 disposable each month. They said they didn't recognise the disposable income figure of £563 which Mr L had mentioned when he complained and said they couldn't pinpoint a regular rent payment.

They said they could see Mr L had missed payments and had returned direct debits, but that this seemed to stem from the way the account was being managed, rather than due to not having enough income to meet this non-discretionary expenditure.

Mr L disagreed saying that his non-discretionary expenditure was closer to £1,235.50, including rent and other costs. This left £172 disposable after the monthly payment for the agreement was taken into account.

This didn't alter the investigator's opinion. They said even factoring in the declared rental payment, which they weren't able to locate, Mr L would have had roughly £900 disposable.

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 Specialist made a fair lending decision. If they weren't, I will consider what proportionate checks would've told Specialist.

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

Before lending, Specialist 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 Specialist 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.

Specialist obtained a payslip from Mr L which showed his monthly income was £1,900.49. Specialist said it used a figure of £1,694.17 as his net monthly income for the purposes of the affordability assessment.

It says it used credit reference agency information to establish his credit commitments were £56 per month and estimated his non-discretionary expenditure was around £812 using statistical data, along with credit reference agency information and other sources. It added a buffer of £100 and found that Mr L would have around £725 disposable each month.

The credit checks it carried out showed he had nearly £3,000 of outstanding debts, almost £1,000 of which was from four defaulted accounts. He had five defaults recorded between four years and two and a half years prior to his application to Specialist. Of active accounts, his balances were almost £2,000. On three current accounts and a credit/store card he was above his credit limit – and the credit/store card account had been in arrears two months prior to the application. Another account which had been settled three months prior also had arrears recorded just before it was settled. This check put his credit commitments at £45 per month.

I agree with the investigator that the recent issues Mr L had with his credit accounts should have prompted further checks – and so I don't think the checks carried out were proportionate in the circumstances. Given it had verified Mr L's income through a payslip it should've found out more about his expenditure.

What would proportionate checks have shown?

As I've concluded that Specialist's checks weren't proportionate in these circumstances, I've gone on to consider what would've more than likely been found out if it had carried out such checks.

I've explained that for Specialist'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 open banking report which covers the period just before the application took place.

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

Mr L has stated his average income was just under £1,800, which the investigator also found was the case. Specialist actually relied on a lower figure than this, having received evidence of Mr L's income through a payslip. So I don't think Specialist needed to do anything more on that front.

Mr L's own analysis of his income and expenditure indicates he'd have just over £170 disposable each month once the monthly payment for the agreement was taken into account, though that didn't include MOT costs or potential emergency costs.

The investigator who considered the complaint said what they'd been able to identify as Mr L's non-discretionary expenditure was much lower than this, but even factoring in some elements of Mr L's analysis he still had sufficient disposable income to make the repayments affordable.

I agree with the investigator on this point. Mr L's own income and expenditure figures, which have been compiled with bank statements and includes all declared areas of his expenditure, appear to suggest that the monthly payments were affordable, albeit it wouldn't leave him with a substantial disposable income after the repayments had been made. But there's no requirement that a borrower must be left with a substantial disposable income after all essential expenditure has been accounted for.

A lender's income and expenditure assessment may not capture all transactions in the same way and so leaving a buffer could be considered wise in circumstances where it may not have complete information. However, Mr L's expenditure figures leave him a reasonable buffer for unexpected expenditure each month even after all his committed expenditure has been accounted for. So it would appear affordable even after an in-depth review of his financial situation.

However, as I've outlined above, Specialist would not have been required to conduct an in-depth analysis of Mr L's transaction history before lending to him. Specialist should have found out more about Mr L's regular commitments, but it would be disproportionate in the circumstances of this case to have expected Specialist to go through his expenditure line-by-line. Had it asked Mr L for information about his expenditure, it's not clear this information would have led Specialist to conclude the repayments weren't affordable for Mr L.

In reaching my conclusions, I've also considered whether the lending relationship between Specialist 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 Specialist 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 Specialist Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 26 September 2025.

Scott Walker
Ombudsman