

The complaint

Mr C, who is represented by a third party, complains that Advantage Finance Limited ('Advantage') irresponsibly granted him a hire purchase agreement he couldn't afford to repay.

What happened

In June 2020, Mr C acquired a used car financed by a hire purchase agreement from Advantage. Mr C was required to borrow £5,850, to be repaid by 53 monthly repayments of £199.67 followed by a final single payment of £399.67. The total repayable under the agreement was £10,982.18.

The agreement was settled in June 2024.

In November 2024 Mr C complained to Advantage that it had agreed to provide him with finance under the terms of the agreement without carrying out reasonable and proportionate checks to ensure the finance would be affordable. As a result, his financial situation worsened. Advantage didn't uphold his complaint as it was satisfied that the agreement was affordable.

One of our investigators looked into the complaint. He didn't think Advantage had acted unfairly or unreasonably by approving the finance agreement.

As Mr C doesn't agree, his complaint has been passed to me for 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr C's complaint.

I'll first look at the checks Advantage carried out to see if they were reasonable and proportionate and if so whether Advantage made a fair lending decision. If I think it ought to have carried out better checks, I'll look at what those checks were likely to have shown.

Did Advantage carry out reasonable and proportionate checks to satisfy itself that Mr C was in a position to sustainably meet the repayments that were due under the agreement?

When assessing affordability, there isn't a set list of checks that Advantage needed to complete, but they needed to be borrower focussed and proportionate to things like the type of lending, the cost of the lending as well as the amount, and the period of time over which Mr C would need to make repayments.

Before granting the finance, I think Advantage gathered a reasonable amount of evidence and information from Mr C about his ability to repay. I say this because Advantage carried out checks that included reviewing the information in his application and verifying his income by relying on payslip details – showing that in May 2020 he earned just under £2,900 in net pay. Advantage was also able to identify that Mr C was in full time employment, married and was a tenant paying rent.

Advantage also carried out a check on his credit history. This showed that Mr C had had some arrears on two accounts in the past six months, one of which was in a payment arrangement. He also had payment arrangements with two mail order accounts dating back to 2018.

Advantage also used statistical information to work out what Mr C's committed monthly spending was likely to be. It doesn't appear that Advantage did anything else to find out more about Mr C's regular expenditure. I think, given what it already knew about issues in his financial circumstances, showing signs of potential difficulty and deterioration, Advantage ought to have done more to find out about Mr C's regular committed expenditure at the time. As things stood, I don't think Advantage would have got a good enough understanding of whether the agreement was affordable or not. Advantage needed to be assured that Mr C was in a position to repay the finance on a sustainable basis over the four-and-a-half-year repayment period.

So, based on the evidence and information it gathered, I don't think Advantage completed proportionate checks.

What would reasonable and proportionate checks have shown at the time?

I've kept in mind that customers with issues in their credit history form part of Advantage's usual client-stream and is taken into consideration as part of its checks. Those representing Mr C sent us some open-banking information which we were unable to access. They were given the opportunity to re-send it but that hasn't happened. In any event, Mr C has since provided a breakdown of his key monthly spending and I've also seen an income and expenditure breakdown prepared by those representing him following our investigator's view letter.

Having reviewed all of this, I'm in broad agreement with our investigator that the new agreement looked to be affordable. Mr C told us his household costs were around £1,850 and when credit costs of around £100 are added, that comes to £1,950. As I've explained, I've not seen actual evidence of his utility costs or council tax. He also estimated his groceries at £350. We've seen that Mr C earned £2,900 in the month before the agreement, which included overtime and various additional payments. The income and expenditure breakdown I've seen suggests his income was likely to vary from month to month. I've also kept in mind that Mr C was married at the time and so there is likely to have been some sharing of household costs.

All of this means that I can't say with any real certainty that the new agreement was likely to be unaffordable for Mr C. Whilst I can see it's quite possible that his disposable income wouldn't be as much as £900 each month – based on net earnings of £2,900 – I think it's likely he would have had sufficient disposable income to meet the monthly cost of the new agreement, whilst still leaving him with a 'buffer' amount for contingencies and emergencies. I do appreciate that there may well be months when Mr C and his wife were more stretched than others, but had Advantage carried out better checks, I still think it would have found the new agreement to be affordable.

I'm therefore not persuaded that Advantage acted unfairly in approving the finance.

Did Advantage act unfairly or unreasonably towards Mr C in some other way?

Finally, I've seen that Advantage took steps to help and support Mr C when he had issues with meeting his repayments. These included changing his payment date and agreeing payment arrangements and plans. So I don't think I can reasonably make a finding that Advantage acted unfairly or unreasonably towards Mr C in this respect.

I've considered whether the relationship between Mr C and Advantage might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for him results in fair compensation in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 November 2025.

Michael Goldberg

Ombudsman