

The complaint

Mr H complains that Billing Finance Limited (“Billing Finance”) entered into a Hire Purchase agreement with him when it was unaffordable.

What happened

In February 2020, Mr H acquired a vehicle, which cost £7,640.00. He borrowed the full amount. The agreement was due to run for 48 months, with 47 payments of 259.63 and a final payment of £260.63 (which included a optional purchase fee of £1.00). This meant the total amount payable under the agreement was £12,463.24, of which £4,823.24 was interest, fees and charges.

Mr H complained that he had active CCJs and defaults when he applied for the agreement, had only just started part-time work and had negative disposable income, and this made it difficult to repay his credit commitments.

He said he struggled with payments and asked for a payment deferral. After returning the form he'd been asked to complete, he never heard anything further. He also says he didn't hear anything further when he asked to terminate the agreement.

Billing Finance responded to the complaint saying that it had completed proportionate checks and these found the lending to be affordable for Mr H. It said while Mr H got in touch about repayment issues during the COVID-19 pandemic, he did not follow up on this when Billing Finance said he had to provide some further information.

An investigator considered Mr H's complaint. They felt that Mr H had been managing his credit well and the prior difficulties in repaying credit were from long enough ago not to have a significant impact here. However they felt the increase in Mr H's credit commitments was substantial enough to require further checks.

They felt Billing Finance's checks weren't proportionate as it should have sought to understand more about Mr H's expenditure before lending. They thought that if Billing Finance had done more thorough checks, the lending would still have seemed affordable.

Mr H disagreed with the investigator's opinion. He said the lending wasn't affordable because he wasn't able to meet his financial obligations, even with assistance from family and additional borrowing. He said soon after entering the agreement he informed Billing Finance that he wasn't able to keep up with the payments. And that Billing Finance hadn't properly considered his essential living expenses. He also mentioned his request to voluntarily surrender the vehicle because the payments weren't affordable for him.

As Mr H disagreed with the investigator's opinion, 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 consider the checks carried out by Billing Finance, what those checks showed and what that means for Mr H's complaint.

Before lending, Billing Finance 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 H. There are no specific checks that lenders must carry out, but they should have been proportionate to the circumstances based on what Billing Finance knew about Mr H.

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.

Billing Finance said it verified Mr H's declared employment and income. It says it checked his credit history to determine how his debts had been managed and what monthly payments he was currently making. It says it also used statistical data to determine the remainder of his expenditure.

Mr H declared an annual income of £43,295 and his net monthly income was calculated to be £2,748. Billing Finance says it obtained bank statements at the point of application to verify this because its initial checks indicated a significant recent change in Mr H's income and these statements showed he earned roughly £1,900 monthly.

Its credit checks showed he had over £10,000 of debts and two accounts with public information reported, the most recent of which was four and a half years prior. He had arrears recorded on a current account four years prior and he defaulted on a communications account almost five years prior to the application.

It found his monthly credit commitments were around £370. It used statistical data to estimate his living costs as being £686 (which was based on not knowing his residency costs). And after taking into account these areas of expenditure, it found Mr H would still have had around £630 disposable per month once the monthly repayment for this agreement was covered.

Billing Finance says it used statistical data to estimate Mr H's expenditure, however it had requested copies of bank statements at the time of the application. I don't think it was reasonable to review those documents solely to confirm his income and entirely disregard the remainder of the information shown there. Mr H seemed to receive multiple credits throughout the month, rather than one payment at the same time each month, and it would've reviewed these documents in full to in order for Billing Finance to have reached the conclusion that it did on Mr H's income.

I think it wasn't reasonable to overlook other information that was evident in the documents which were being reviewed in full anyway. For example, Mr H's actual utilities payments on their own amount to almost as much as the overall expenditure figure estimated by Billing Finance. And these transactions, which Billing Finance didn't take into account, were among the incoming credits which it seemed to rely on to evidence Mr H's income. Even if it wasn't

immediately apparent in this way, I don't think it was fair and reasonable to ignore those payments when Billing Finance already had access to them.

There could be some debate about the component elements of any income and expenditure calculations, however, even after factoring in sustainable repayments to all of Mr H's existing revolving credit accounts, it would appear that the monthly repayments under this agreement would have been affordable. The incoming credits to Mr H's account were more than enough to cover his outgoings and had Billing Finance considered these payments, I think it would have been able to reasonably conclude that Mr H would have sufficient funds left over to make the repayments to this agreement.

Mr H has complained about not receiving adequate support when he was struggling financially. I have seen the relevant notes where Mr H expressed that he felt it unnecessary to have to explain his financial situation when asking for assistance, which our investigator also noted. I haven't seen any evidence of any further interactions where Billing Finance failed to respond appropriately to Mr H's situation.

I appreciate Mr H may have been frustrated that Billing Finance had asked him to take some further steps before being able to offer further support, however he was asking it to accept a individual proposal. I don't think that it was unreasonable for Billing Finance to take steps to obtain further information from Mr H in order to consider whether this was the most appropriate action. While I can understand Mr H's upset at the time, I don't think that what Billing Finance did was unreasonable or that it resulted in it failing to treat Mr H fairly and reasonably.

Billing Finance sent Mr H information on how to end the agreement on this occasion and I can see Mr H requested a settlement quote six months later, but I can't see that Mr H took any further action in relation to that – and I can't see any other evidence of Mr H having made a request which Billing Finance responded to unfairly. That's not to say I think Mr H wasn't going through a difficult time, I'm sure that he was, however I haven't seen evidence to support that Billing Finance failed to offer appropriate support by responding unreasonably to Mr H's contact.

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

However, for the reasons I've explained, I don't think Billing Finance irresponsibly lent to Mr H 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. I appreciate this will likely come as a disappointment to Mr H, I hope I've been able to explain the reasons I'm not upholding this complaint.

My final decision

My final decision is that I do not uphold Mr H's complaint against Billing Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 October 2025.

Scott Walker
Ombudsman