

Complaint

Mr C complains that Close Brothers Limited (trading as “Close Brothers” Motor Finance) unfairly entered into a hire-purchase agreement with him. He’s effectively said that the finance wasn’t affordable and so shouldn’t have been provided to him.

Background

In July 2020, Close Brothers provided Mr C with finance for a car. The purchase price of the vehicle was £17,000.00. Mr C paid a deposit of £1,700.00 and entered into a 48-month hire-purchase agreement with Close Brothers to fund the remaining £15,300.00 he required.

The loan had interest, fees and total charges of £4,209.31 (made up of interest of £4,199.31 and an option to purchase fee of £10), and the balance to be repaid of £19,509.31 (which does not include Mr C’s deposit) was due to be repaid in 48 monthly instalments of £282.72 followed by an optional final payment of £5,938.75 which Mr C had to pay if he wished to keep the car.

Mr C’s complaint was considered by one of our investigators. She didn’t think that Close Brothers had done anything wrong or treated Mr C unfairly. So she didn’t recommend that Mr C’s complaint should be upheld.

Mr C disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided not to uphold Mr C’s complaint. I’ll explain why in a little more detail.

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 C’s complaint.

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

Close Brothers says it agreed to Mr C's application after he provided details of his employer and a declaration of his income. It says it also carried out credit searches on Mr C which showed that Mr C's existing credit commitments were up to date and there wasn't any indication that he had previously suffered significant adverse credit difficulties such as having defaulted accounts or County Court Judgments ("CCJ") recorded against him.

In its view, when reasonable repayments to Mr C's existing credit commitments were deducted from what Mr C declared as his income, this left enough for him to take on the payments for this new agreement and also meet his living costs. On the other hand, Mr C says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr C and Close Brothers have said.

The first thing for me to say is that Close Brothers appears to have obtained quite a bit of information on Mr C's circumstances before agreeing to lend to him. Having seen what this information shows, I think that there is a reasonable argument for saying that the checks Close Brothers carried out before agreeing to lend to Mr C were proportionate. This is particularly bearing in mind Mr C's low existing debt, his validated income and the fact that he said that he lived at home with parents.

I also think that it's unlikely that Close Brothers carrying out further checks would, in any event, have made a difference here. I say this because at the absolute most it could be argued that Close Brothers ought to have found out Mr C's living expenses. And having considered the information Mr C has provided on his circumstances this appears to support the fact that he had low monthly expenses, as a result of living at home with parents.

I accept that the real reason Mr C might have found it difficult to make his payments to this agreement isn't due to his existing credit commitments or his living expenses. And that this is readily apparent when the bank statements Mr C has provided are considered. It's also possible – but by no means certain – that Close Brothers might have taken a different decision had it seen these bank statements at the time.

But what I need to think about here is what is Close Brothers is likely to have known if it had carried out proportionate checks, not what it would have known if it had reviewed Mr C's bank statements. In other words, what was Mr C paying to his credit commitments and his regular living expenses – given Mr C was being provided with a car rather than cash.

Bearing in mind checking bank statements wasn't the only way for Close Brothers to have found out more about Mr C's actual living costs – it could have obtained copies of bills or other evidence of payment etc – I don't think that proportionate checks would have extended into obtaining the bank statements provided. So while I sympathise with the difficulty Mr C may have had, nonetheless I don't think that Close Brothers could reasonably be expected to have known about the nature and extent of Mr C's additional spending.

I also have to keep in mind that Mr C's most recent submissions are being made in support of a claim for compensation and any explanations Mr C would have provided at the time are more likely to have been with a view to persuading Close Brothers to lend, rather than highlighting any unaffordability. So I don't think that Mr C would have necessarily provided these same bank statements if Close Brothers had attempted to find out more about his living expenses.

For the sake of completeness, I would also add that while this isn't in itself determinative, it's also worth noting that Mr C not only made all of his payments on time, he also settled the finance by paying the optional final payment well before the end of the term. In my view, Mr C's repayment record does not support his argument that he wasn't in a position to be able to make the repayments to this agreement at the time he entered into it.

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

However, for the reasons I've explained, I don't think Close Brothers irresponsibly lent to Mr C or otherwise treated him unfairly. 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.

Overall and having carefully considered everything, while I'm not necessarily persuaded that Close Brothers' checks before entering into this hire-purchase agreement with Mr C did go far enough, I'm nonetheless satisfied that carrying out reasonable and proportionate checks won't have stopped Close Brothers from providing these funds, or entering into this agreement with Mr C. So I'm not upholding this complaint.

I appreciate that this will be very disappointing for Mr C. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 November 2025.

Jeshen Narayanan
Ombudsman