

The complaint

Mr P complains that Marsh Finance & Commercial Limited (“Marsh”) provided him with a hire purchase agreement that wasn’t affordable for him.

What happened

In October 2023, Marsh provided Mr P with a hire purchase agreement, for a used car, through a credit intermediary. The cash price of the car was £15,998 and Mr P paid a £500 deposit meaning £15,498 was financed. The charge for credit was £9,423 with a total to repay including the deposit of £24,931. Mr P was due to make 59 monthly repayments of £415.35 followed by a final payment of £425.35.

Marsh issued a final response letter about Mr P’s complaint in May 2024. Marsh didn’t uphold the complaint saying the checks it carried out showed the agreement to be affordable. Mr P then referred the complaint to the Financial Ombudsman where it was then considered by an investigator, who also didn’t uphold the complaint. Mr P disagreed and I’ve summarised his responses below.

- Mr P’s self-employed income at the time was only £20,000. He had three mortgages and with existing car loans his outgoings on just this credit came to nearly £1,500 per month which was his monthly income.
- Marsh used his turnover figure rather than Mr P’s income after tax because his gross income will include expenses that he has for work such as tools and materials.
- Mr P says his credit history was poor.
- Finally, Mr P provided a copies of his tax returns.

The investigator explained why she wasn’t persuaded to change her mind about the complaint and as no agreement could be reached the complaint has been passed to an ombudsman for a 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 also want to clarify that this decision is only dealing with Marsh’s decision to lend to Mr P – it doesn’t deal with the other issues that Mr P has had with Marsh including the settlement quote and the service history that Mr P says wasn’t provided when he received the car.

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 P’s complaint. Having carefully thought about everything I’ve been provided with; I’m not upholding Mr P’s complaint. I’d like to explain why in a little more detail.

Marsh needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Marsh needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr P 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.

Mr P declared he was a self-employed joiner and received a gross annual income of £60,528 which was then broken down into a monthly amount of around £3,600. However, Marsh didn't just accept what Mr P had declared and instead took steps to check the information it was provided.

Marsh used a standard industry wide tool to check whether the income declared was likely accurate. This used a number of metrics including current account turnover. As a result of this check, Marsh was told that what Mr P had declared was likely to be accurate. So, Marsh could've been reasonably confident the income it used for its affordability assessment was right and Marsh didn't need to check this any further.

However, Mr P has said further checks were needed into his income because he was self-employed and he wasn't earning as much as Marsh believed. To support this, Mr P has provided a copies of tax returns for the relevant tax years.

While I can see from the 2022/2023 and 2023/2024 tax return that Mr P didn't earn as much as declared to Marsh. Still, I'm satisfied that Marsh could've relied on the figures provided by Mr P because the check that it carried out didn't identify any discrepancies. Marsh didn't need to look at or verify Mr P's income beyond what it did, therefore it follows that it was entitled to rely on the information given for the affordability assessment.

Marsh then went about working out Mr P's day-to-day living costs. It worked this out – using data obtained from the Office of National Statistics and his credit file. With Mr P's housing costs and what it calls a 'cost of living' payment Marsh worked out Mr P was likely spending £937 each month on these costs.

As I've said, a credit check was also carried out and a summary of the results Marsh received has been provided. I've taken a look at these to see whether there were any signs that Mr P was, or was likely, having financial difficulties at the time.

Marsh was told that Mr P had two current accounts, a credit card and a total of three loans. Based on the information received by Marsh it calculated these commitments came to £408 per month. This doesn't seem unreasonable.

It does appear that Marsh was aware of a recently opened hire purchase account – which had been opened in June 2023. On top of this, going back to May 2022, there were no missed payments or any other signs that Mr P was struggling to keep on top of his existing debt.

I appreciate Mr P says he had bad credit history at the time, but that wasn't reflected in the results received by Marsh. In my view, the credit search results wouldn't have been overly concerning.

The investigator said that while these checks showed Mr P would likely be able to afford the loan she nonetheless thought further checks were needed. I've considered this, bearing in mind the monthly commitment Mr P had to make as well as the limited credit file data that it has provided. Having done so, it wasn't reasonable for Marsh to have relied on statistical data for the purposes of the affordability assessment bearing in mind the monthly payment and it doesn't seem that Marsh had any real idea of Mr P's actual living costs.

Marsh had an accurate idea of Mr P's income, so I do think the further checks needed only to extend to finding out about his regularly monthly outgoings. Marsh could've gone about doing this a number of ways, it could've simply asked Mr P about his actual living costs, asked for evidence from Mr P about his bills, collected any other documentation it felt it may have needed or as I've done here reviewed the bank statements Mr P has provided.

This didn't, and doesn't mean that, Marsh had to undertake a full financial review of Mr P's circumstances: in my view that would've been disproportionate given the circumstances. Instead, Marsh merely it just needed to obtain a better idea of Mr P's day to day living costs.

I accept that had Marsh conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Marsh conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to.

I can see regular payments towards a mortgage, a second charge which Mr P has provided information about, an existing hire purchase agreement, a mobile phone, petrol, food and then payments to other party. The Investigator said these costs came to just under £2,000 per month and that seems about right. So, even with the loan payment – taking account of the checked income Mr P still had enough disposable income each month to cover other cost to Marsh.

As such, had Marsh carried out further checks into Mr P's living costs it would've likely discovered the hire purchase agreement was affordable for him.

The statements of account and Mr P's credit file shows that he's had difficulties repaying this agreement. As such he may wish to reach out to Marsh to see what help and support it may be able to offer. But I would remind Marsh of its obligation to treat Mr P fairly and with forbearance.

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 Marsh 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

For the reasons I've outlined above, I am not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 August 2025.

Robert Walker
Ombudsman