

Complaint

Mr H complains that First Response Finance Limited (“First Response”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable and so his application shouldn’t have been accepted.

Background

In April 2022, First Response provided Mr H with finance for a used car. The cash price of the car was £9,150.00. Mr H didn’t pay a deposit and entered into a hire-purchase agreement with First Response for the entire amount. The loan had total interest, fees and charges of £5,503.94 and a 49-month term. This meant that the total amount to be repaid of £14,653.94 was due to be repaid in 49 monthly repayments of £299.06.

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

Mr H 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.

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 H’s complaint.

Having carefully considered everything, I’m not upholding Mr H’s complaint. I’ll explain why in a little more detail.

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

First Response says it agreed to this application after Mr H provided details of his employer and his income, which was verified with payslips. It says it also carried out credit searches

on Mr H which did show historic defaulted accounts recorded against him, with the most recent being around two years prior to this application. But when reasonable repayments towards the amount Mr H owed on his active accounts, plus a reasonable amount for Mr H's living expenses were deducted from his monthly income the monthly payments were still affordable.

On the other hand, Mr H says the monthly payments were unaffordable.

I've thought about what Mr H and First Response have said.

The first thing for me to say is that First Response didn't simply accept Mr H's declarations at face value as it requested copies of payslips and carried out credit checks. However given Mr H had defaulted accounts, it was arguably unreasonable for First Response to rely on an estimate of Mr H's living costs, rather than finding out more about what they actually were.

Furthermore, and in any event, I've not been provided with anything at all to show that First Response carrying out further checks would have made a difference here. I say this because despite having been provided with ample opportunity to do so, Mr H hasn't provided anything at all to show that when his committed regular living expenses and existing credit commitments were deducted from his income, he didn't have the funds to sustainably make the repayments due under this agreement.

I also have to keep in mind that Mr H's most recent submissions are being made in support of a claim for compensation and any explanations Mr H would have provided at the time are more likely to have been with a view to persuading First Response to lend, rather than highlighting any unaffordability.

Indeed, I note that Mr H specifically told First Response that his previous difficulties with credit were historic and he'd reached arrangements to repay the outstanding balances. In these circumstances, I think it is unlikely and certainly less likely than not that he would have volunteered that his expenditure exceeded his income if he had been asked for further information in the way he now suggests he would.

Taking all of this into account, I'm not persuaded by the argument that First Response lent in circumstances where it ought to have seen that this agreement was unaffordable for Mr H.

In reaching my conclusions, I've also considered whether the lending relationship between First Response 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 that First Response 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.

Overall and having carefully considered everything, while I accept that an argument could be made that First Response's checks before entering into this hire purchase agreement did not go far enough, I've, in any event, not been persuaded that First Response carrying out further checks would have prevented it from providing these funds, or entering into this agreement with Mr H.

As this is the case, I'm not upholding this complaint. I appreciate that this will be disappointing for Mr H. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 16 December 2025.

Jeshen Narayanan
Ombudsman