

The complaint

With the help of a professional representative (PR), Mr S complains that Advantage Finance Ltd lent to him irresponsibly. For ease, I'll mainly refer to the actions of the PR as being those of Mr S.

What happened

On 22 June 2019, Mr S entered into a Hire Purchase Agreement (HP) to acquire a used vehicle. The HP was agreed on the following terms:

Date	Cash price	Deposit	Amount of credit	Term	Monthly repayment
22 June 2019	£15,060	£5,060	£10,000	60 months	£330.42

Mr S made all the repayments in full and on time until the Covid-19 pandemic. Ultimately the vehicle was involved in an accident and written off, with the insurance repaying the HP in February 2021.

On 24 September 2024, with the help of his PR, Mr S complained to Advantage. He said it had failed to carry out sufficient affordability checks which led to the credit relationship between the two being unfair as described in Section 140A of the Consumer Credit Act 1974. He said he was in an Individual Voluntary Arrangement (IVA) at the time of the application and could never afford the repayments. To resolve his complaint, Mr S asked Advantage to refund payments he'd made to the agreement including his deposit. He also requested, a refund of charges and interest he'd paid plus 8% interest per year.

Advantage looked into Mr S's complaint and issued a final response letter. It explained the checks it had carried out – including a review of his bank statements - and felt they had been reasonable and proportionate. It was satisfied that the HP was affordable for Mr S when it was agreed and it didn't uphold the complaint.

Mr S didn't accept Advantage's response, so he referred his complaint to our service. One of our investigators looked into it. He felt the checks carried out were reasonable and proportionate and that Advantage made a fair decision to lend to Mr S. Our investigator didn't uphold the complaint.

Mr S didn't agree with our investigator's view of the complaint, so as there was no agreement, it has been passed to me 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Advantage needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr S irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Advantage carry out reasonable and proportionate checks to satisfy itself that Mr S was in a position to sustainably repay the HP?
 - If not, what would reasonable and proportionate checks have shown at the time?
- Did Advantage make a fair lending decision?
- Did Advantage act unfairly or unreasonably towards Mr S in some other way?

Advantage had to carry out reasonable and proportionate checks to satisfy itself that Mr S would be able to repay the HP sustainably. It's not about it assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

When he applied for the HP, Mr S told Advantage he was self-employed and a homeowner. He provided bank statements to prove his income and Advantage calculated that as £1,825 per month. Using statistical data (in line with many other lenders) it calculated his committed monthly expenditure as being £925 leaving a monthly disposable income of £900 from which to make the repayments to this HP of £330.

Advantage checked Mr S's credit file and has provided a copy of what it saw. It appears Mr S had encountered some financial difficulties in late 2016 and 2017 as there are a number of accounts that were defaulted. Several had since been repaid in full, and the most recent default was dated September 2017 – over 18 months before this application.

Advantage specialises in lending to people with impaired credit histories, so it isn't unusual to see some historic issues in credit reports. I wouldn't expect the defaults to have caused Advantage any concerns. I note that Mr S's PR said he had been in an IVA at the time of the application. But looking at the credit report they provided, I can see his IVA didn't start until October 2019 – around four months after the HP had started – so I wouldn't expect Advantage to have taken that into account.

I think the checks Advantage carried out were reasonable and proportionate. It had checked his credit file and bank statements as part of its assessment his application and he had confirmed the payments were affordable. I think it reached a fair decision to lend to Mr S.

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

Mr S met the first nine repayments in full and on time, paying via direct debit. In April 2020 – after the start of the Covid-19 pandemic – Mr S contacted Advantage saying his work had dried up. It placed a six month "*payment freeze*" on the account, and no charges were levied for late / missed payments.

Mr S made a payment of £150 on 23 April 2020 and a full repayment on 23 August 2020. In December 2020, the vehicle was involved in an accident and written off. Mr S's motor insurer repaid the balance of the HP. Advantage did what I'd expect it to do in the circumstances to support him through the pandemic and after the accident.

For the reasons I've already given, I don't think Advantage lent irresponsibly to Mr S 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

My final decision is that I don't uphold this complaint.

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

Richard Hale
Ombudsman