

## **The complaint**

Mr M, through his representative complains that Billing Finance Limited lent to him irresponsibly. It was a vehicle finance agreement to assist Mr M to purchase a car.

## **What happened**

On 7 December 2020, Mr M agreed to a finance agreement through Billing Finance to purchase a vehicle.

The cash price of the car was £12,495. The total to pay was £16,694 (rounded figure). Mr M paid a deposit of £4,495. This was made up of a combination of the part exchange of Mr M's existing vehicle as well as cash. Mr M borrowed £8,000. The repayments were 47 of £254 and one of £255 which included the £1 Option to Purchase fee. All monthly payments were made on time and Mr M settled the agreement early on 1 December 2023

After Mr M had complained to Billing Finance, it responded in March 2025 and not content, Mr M referred his complaint to the Financial Ombudsman Service. One of our investigators considered it and thought that even if Billing Finance had carried out a more detailed look at Mr M's finances before lending, still he'd have been able to afford the car finance.

Mr M's representative sent submissions, mainly based on the figures. Mr M's representative says his outgoings exceeded his income. Our investigator says the opposite. The source for both sets of assessments (that by our investigator and that by Mr M's representative) is the same – Open Banking reports for one of Mr M's accounts. The unresolved complaint was passed to me to decide.

## **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 explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mr M's complaint. Billing Finance needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M 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 – suggesting the lender needed to know more about a prospective borrower's ability to repay.

I have reverted to the specific wording and detail in the FCA Consumer Credit Sourcebook (CONC) Chapter 5 on responsible lending to assist me in relation to Mr M's complaint. I do not set out the FCA wording here as Mr M's representative likely is familiar with that CONC chapter and I refer them to it for the detail.

When considering whether creditworthiness assessments were reasonable which is what the FCA require it to be, there are a number of considerations to guide Billing Finance that the checks were proportionate: CONC 5.2A.20R explains it was not expected that there was a full financial review of every aspect of Mr M's circumstances before lending.

Proportionality can be seen as doing reasonable checks within the full context of the loan application, what it was for and other details. I can't improve on some of the wording in the guide paragraph CONC 5.2A.21G: *Certain factors may point towards a more rigorous assessment and others towards a less rigorous one in which case the firm should weigh up the factors before deciding what type of creditworthiness assessment is required.*

Part of placing these sorts of credit agreements within the context of the circumstances surrounding Mr M's application would include, in my view, the fact that Mr M wanted this particular car, and he applied for the finance freely. Especially as I have seen from the documentation that Mr M had been paying for a car before he decided to buy this one and part exchanged it plus paid cash to act as a deposit. Billing Finance would have no reason to consider that Mr M was being anything other than frank and honest in his application.

In December 2020, when Mr M approached Billing Finance for the funding, he had declared that he worked full time, earned £28,000 a year and was living at home with his parents and had been for eight years.

Using a widely used method of income verification through Credit Reference Agencies (CRAs) then Billing Finance was confident that Mr M earned at least £1,890 each month after tax. It did not include in its Income and Expenditure (I&E) assessment the additional income Mr M seemed to have received, and about which Billing Finance knows since the complaint was raised.

Billing Finance carried out a credit search on 3 December 2020 and a copy of that has been sent to us which I have reviewed. Billing Finance assessed that Mr M's credit commitments were low – around £4 a month to pay down a card – and it said he had no *'recently settled or defaulted accounts that may suggest financial hardship'*.

I have reviewed the credit search details. It shows Mr M had just settled a conditional sale agreement for a car with a different lender which had commenced in 2018 and settled in late September 2020. It had been costing him £96 a month and likely was the car he used to part exchange for this car being purchased with Billing Finance. There had been no issues with repayments.

Mr M did have a credit card account which had commenced in 2017 and a default had been applied ten months before he approached Billing Finance so around the beginning of 2020. It looked like there was no outstanding balance. Other credit card accounts he had showed as £0 balances or with very little and so his outstanding overall debt balance was very low.

Armed with that information Billing Finance considered that use of Office for National Statistics data (ONS) for the general expenditure costs each month was proportionate. I consider that to have been reasonable. Billing Finance calculated that Mr M was left with a *'residual monthly income of £1,069.18 to cover other discretionary expenditure'* and that was after it had included the cost of the car finance monthly instalments of £254. Billing Finance has said it spoke to Mr M and he confirmed that he was not expecting any changes to his financial circumstances and was content to proceed.

Billing Finance has said to us:

*'...as a finance company, we will consider lending to customers who may not be accepted by mainstream banks providing they pass our affordability assessment and fulfil our lending criteria. In addition, [Mr M] was provided with an asset to enable him to carry out his day-to-day activities.'*

Having reviewed it all, I consider it borderline that a credit card default from ten months before the finance application would precipitate Billing Finance to consider it needed to carry out a more detailed financial review of Mr M's circumstances. Meaning that I'm not entirely satisfied that further checks were warranted.

And I say that because Mr M's overall credit situation was good, in that there was no other evidence or more recent evidence of him being in any sort of financial difficulties. And Mr M was earning a regular salary and was living at home with his parents. It's not likely that Mr M was paying full market rent plus bills to live at home. So, I do not consider that Mr M would have been exposed to the risk of non-payment of priority bills and/or rent arrears likely to lead to problems with his money such that the repayments to the car finance loan were at risk. Despite this, Billing Finance used ONS statistics to calculate those sorts of expenses and factor them in: it took a prudent approach to the non-discretionary expenditure.

But our investigator did think that Billing Finance needed to do more, because of that defaulted account, and he did choose to have a detailed look at Mr M's situation. Mr M's representative has made multiple submissions surrounding this part. So, in the interests of resolution, I have reviewed all this information from both parties.

Our investigator analysed an Open Banking report and in his first view set out the details. I do not repeat them here as both parties have received that. He considered Mr M could afford the car finance.

Mr M's representative has asked for an ombudsman's decision based on Mr M's expenditure exceeding his income. It said:

*'His average committed expenditure at the time was £2945.21 which includes groceries, phone bill, rent/mortgage, credit card repayments etc'*

I have reviewed the I&E Mr M's representative has sent to us which appears to have been based on the same Open Banking resource. Large payments to an individual have been treated as 'rent' by Mr M's representative which considering he has said he was living at home was odd. We have received no evidence to confirm that these were rental payments.

So, to satisfy myself, I used the transaction list excel spreadsheet supplied by Mr M's representative. These 'rental' payments look to have been irregular payments and transfers to an individual. Plus, on the day Mr M bought the car that individual, or a transfer from an account bearing that person's name, was made to Mr M. They do not look like payments to a landlord to me. I've received no full and complete explanation or evidence. I have applied a fair and reasonable test and I consider that had Billing Finance been presented with the details I have, it would have reached a similar conclusion. So, without more, I discount these as rental payments. That alters the figures radically.

And another point is that it is not expected that just because Mr M clears his credit cards each month the regulatory framework would expect Billing Finance to add those full payments into its I&E as regular committed expenditure. The minimum repayment usually is the required sum that Mr M would have been committed to pay and reasonable to be used in any lender's I&E. The monthly minimum card repayments likely were well below the figures of £1,500, £770 and £1,400 (rounded sums) that Mr M's representative has included each month in its version of the I&E. So, I consider that these figures would have been much less in a reasonably prepared I&E.

I don't consider that additional checks were entirely justified but in order to answer Mr M's representatives' submissions I have reviewed the I&Es and bank transaction evidence. All considered, I think that even if Billing Finance had looked into Mr M's financial circumstances in more detail, then it would have recognised that Mr M wanted to buy this car, he was trading in his old one for it and he was able to afford the car finance repayments.

I've also considered whether Billing Finance acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under section 140A of the Consumer Credit Act 1974.

During the life of the agreement – which was settled early in December 2023 – Billing Finance's account notes show that no contact was made by Mr M about any affordability issues. The contacts made were to change the number plate to a cherished plate, to change the Direct Debit instruction to a new joint account in July 2021 and to ask about settlement figures. In December 2023 when Mr M settled the account he said he did not want more finance and was keeping the car. So, there's no evidence of any unfair treatment there.

For the reasons I've already given, I don't think it lent irresponsibly to Mr M 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 I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 November 2025.

Rachael Williams  
**Ombudsman**