

The complaint

Mrs T, who is represented by a third party, complains that Startline Motor Finance Limited ('Startline') was irresponsible in its lending. She wants all the interest, fees and charges she paid under her hire purchase agreement refunded along with 8% simple interest and any adverse information recorded on her credit file removed.

What happened

Mrs T was provided with a hire purchase agreement in January 2022 by Startline when she wanted to acquire a used car. The cash price of the car was £8,495. The agreement had a term of 60 months and Mrs T was required to make 60 monthly repayments of around £244.59 followed by a final repayment of around £210. The total amount repayable was £14,685.40.

Mrs T says that adequate checks weren't carried out before the finance was provided. Had that happened Startline would have realised that repaying the loan on both an affordable and sustainable basis was unlikely.

Startline issued a final response to Mrs T's complaint in May 2025 explaining that it is a near prime lender which supports applicants who fall outside of the parameters offered by prime lenders due to a lower credit rating. It said that a creditworthiness assessment took place before the finance was provided and her income was validated. So, Startline was satisfied that she'd be able to afford to meet the repayments due under the new agreement.

Mrs T referred her complaint to this service.

Our investigator thought Startline had probably carried out checks that were proportionate but had failed to take proper notice of the bank statement information Mrs T had provided. Had Startline done so, it would have seen that her finances were extremely stretched and there looked to be a real likelihood of her getting into financial difficulty. So it hadn't made a fair lending decision.

As Startline hasn't responded to our investigator's view, the complaint 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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mrs T's complaint.

The rules don't set out specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the finance was provided, Startline gathered information about Mrs T's income, noting that she said she was receiving a net monthly income of £2,000. This income, which came wholly from benefits as Mrs T hadn't been working for some time, was checked by Startline using the bank statements it had asked her to provide. It said these showed her income was actually lower, at around £1,500.

Startline's credit check showed that Mrs T had four historic defaults and also two county court judgments, the most recent of which was from March 2021. More recently, Mrs T appeared to be getting into arrears with some of her utility payments. I note Startline's comment about its position in the lending market, but it must still act as a responsible lender when it comes to noting credit issues.

In terms of the credit she already owed, Mrs T was paying about £84 each month towards revolving credit plus a further £136 towards an existing hire purchase agreement which she'd agreed to settle before taking out the new one with Startline.

Based on what it had seen, Startline worked out that Mrs T had around £1,200 available each month to meet household and key cost-of-living expenses. It also said the statistical data it used indicated that would be enough.

My concern here is that although the checks might be proportionate for some applicants, they needed to be borrower specific. Given that Mrs T hadn't been working for some time, had county court judgments and defaulted accounts in her credit history - and was continuing to miss certain payments - I think Startline ought to have carried out better checks. As it already had copies of some of her bank statements, this is something it could have done relatively easily, using them to ensure it was making a lending decision that was fair. So I've considered the information these contain to understand what Startline would likely have identified had it relied on the statements to assess if the new loan was likely to be affordable.

Like our investigator, I've seen the various transfers Mrs T made, coming in from and then back out to a savings account in order to meet payments when she needed it. This gives an indication that Mrs T was experiencing a level of difficulty in meeting her regular financial commitments.

I'm in broad agreement with what our investigator found. Mrs T was receiving on average income that was closer to £1,400 each month. Once the cost of her existing hire purchase agreement was discounted, Mrs T was still spending around £1,300 per month, including rent, utilities, insurance, petrol and food. Even allowing for the deduction of some nonessential spending of say £100 per month to reach that figure - as I've done - that still meant the new agreement, at a cost of £244 per month, was likely to be unaffordable.

I would add here that, given that Mrs T's new hire purchase agreement was more than £100 higher than her previous one, it's difficult to see how going forwards she'd have any financial headroom available, and was likely to have a deficit each month.

Taking this into account, I think it's clear that if Startline had completed reasonable and proportionate affordability checks it would most likely have found that Miss S couldn't sustainably afford the hire purchase agreement. It follows that Startline shouldn't have lent to her and so it now needs to put things right.

I've also considered whether Startline acted unfairly or unreasonably in some other way, given what Mrs T has complained about, including whether its relationship with Mrs T could have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs T in the

circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right – what Startline needs to do

As I don't think Startline ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. I understand Mrs T still has possession of the car, although the full agreement remains unpaid. I think it's fair she pays the cash price of the vehicle. So, I think that to settle Mrs T's complaint, Startline should do the following:

- calculate how much Mrs T has paid in total and retain £8,495 – as this was the value of the car at the time of purchase. Startline should refund any overpayments, adding 8% simple interest per year* from the date of payment to the date of settlement.
- remove any adverse information recorded on Mrs T's credit file regarding the agreement.

*HM Revenue & Customs requires Startline to take off tax from this interest. Startline must give Mrs T a certificate showing how much tax it's taken off if Mrs T asks for one.

My final decision

My final decision is to uphold this complaint and require Startline Motor Finance Limited to compensate Mrs T in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 17 December 2025.

Michael Goldberg
Ombudsman