

The complaint

Mr T complains that Billing Finance Limited lent to him irresponsibly.

What happened

In 2016, Mr T took out a hire purchase agreement with Billing Finance; it was to help fund the purchase of a motorbike. The agreement was for a cash price of £2,300; it was set over a term of 48 months with regular payments of £83.15, and one final payment of £178.15.

Several years later, in 2024, Mr T complained to Billing Finance. He said, in summary, that the credit had been provided irresponsibly and that it was always unaffordable for him. Billing Finance didn't uphold Mr T's complaint, citing that it was confident reasonable and proportionate checks had been carried out before agreeing to lend.

Mr T referred his complaint to this Service, and an Investigator here looked at what had happened. Having done so, they didn't think Billing Finance had lent to Mr T irresponsibly. They said that reasonable and proportionate checks had indeed been undertaken before lending and, moreover, the results of those checks hadn't highlighted any cause for concern. So, in conclusion, Billing Finance hadn't acted irresponsibly and didn't need to take any further action.

Mr T disagreed, and he asked for an Ombudsman's decision. He reiterated his view that adequate checks hadn't been carried out; he also made particular reference to how the payslip, which Billing Finance had reviewed at the time, contained an overtime payment. Mr T said that income shouldn't have been taken into account when determining affordability.

As no agreement has been reached, Mr T's complaint has now been 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.

Fundamentally, 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 Mr T could make his payments in a sustainable manner before agreeing to lend. If the checks Billing Finance carried out *weren't* sufficient, then I'll need to consider what reasonable and proportionate checks are likely to have shown.

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. That said, we might think it needed to do more if, for example, a borrower's income was low; or if the information the lender had – such as a significantly impaired credit history – suggested it needed to know more about a

prospective borrower's ability to repay.

Here, in Mr T's scenario, Billing Finance says it agreed to his application after it completed:

- an affordability assessment: this incorporated Mr T's declared income, and the checking of a payslip, as well as applying statistical data to estimate his likely expenditure.
- a check into Credit Reference Agency ("CRA") data to build a view of Mr T's existing credit commitments and how he was managing them.

I've looked at the results of what Billing Finance uncovered, and I don't think it was presented with any real cause for concern. CRA data suggested Mr T's existing commitments were up to date and being managed well; his income against estimated outgoings showed he'd have enough disposable income to meet the repayments, as well as his essential expenses and other credit commitments. No County Court Judgements or Individual Voluntary Arrangements were recorded against him either. Broadly then, the checks painted a relatively stable picture of Mr T's finances.

Mr T has made reference to how his affordability wasn't correctly assessed, and he's mentioned the use of statistical expenses data as being problematic and disproportionate. Essentially, Mr T's view is, by my understanding, that Billing Finance didn't do enough to uncover the *true* picture of his wider financial circumstances. I see his perspective there, and his arguments are indeed valid concerns. Having said that, I don't agree that appropriate checks weren't carried out – nor that Billing Finance should have further questioned the data it had.

To explain, there are no fixed checks that businesses must complete when reviewing an application for credit. There's no requirement on a lender to review specific things, and the use of statistical data in determining expenses isn't prohibited. Essentially, Billing Finance could decide for itself what data sources it would review to gather information; it only needed to go further and verify, for example, if it had reason to. As I've said above, in Mr T's circumstances, the information it gathered didn't give it cause for concern. The results of its checks wouldn't, in my view, have prompted Billing Finance to go further and ask for more information.

Billing Finance did ask Mr T to provide a payslip, which he duly did, and that payslip did indeed include an overtime payment. Mr T's point here is that overtime isn't guaranteed and shouldn't have been included when assessing his affordability. Again, his argument is understandable; and, broadly speaking, overtime is a somewhat contentious element. From what I've seen, Billing Finance calculated that Mr T would have around £500 disposable income – after deducting his costs and other commitments – to meet any unforeseen expenses. That figure was reached using the payslip Mr T provided, which included his overtime payment. If I remove Mr T's overtime payment his disposable income is £111 – which is, of course, much tighter than £500.

In any event, when thinking about this overtime point, and whether Billing Finance acted fairly by including it in its affordability calculations, I have to reflect on whether Mr T did anything like tell Billing Finance that his overtime was limited, or a one-off, and should never be counted. I can't see he did anything like that here and, just generally, I don't think that Billing Finance could possibly be expected to have known that Mr T would no longer be able

to work overtime going forward; in all probability, at the time, it's unlikely Mr T would've known himself whether he would and to what extent.

Additionally, given Mr T was seeking the credit, to fund a purchase he clearly wanted to make, I don't think it likely that he'd have said overtime in future was never an option – or that it generally shouldn't be counted. I accept he's saying *now* that it wasn't reasonable to include overtime payments; but I can't use hindsight here, and I don't consider it *most likely* that he'd have said the same at the time he applied to Billing Finance.

Overall then, I don't think it was unreasonable of Billing Finance to include all of the credits it could see on Mr T's payslip when assessing his income. Considering that alongside all of the other checks it did – which showed no reason for Billing Finance to believe this agreement was, or would become, unaffordable – I don't think the hire purchase agreement was irresponsibly provided.

In closing, having carefully considered everything that's been said and provided by both parties, I'm satisfied that Billing Finance didn't act unfairly towards Mr T when it agreed to lend to him; it follows that I'm not upholding this complaint. I haven't seen anything to suggest that Section 140A or anything else 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 Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 4 December 2025.

Simon Louth
Ombudsman