

The complaint

Mr D complains Startline Motor Finance Limited ('Startline') acted irresponsibly by agreeing a hire purchase agreement he couldn't afford to repay.

What happened

In March 2021 Mr D acquired a vehicle financed by a hire purchase agreement from Startline. The cash price of the goods was £12,995. The total amount repayable under the agreement – including interest and charges – was £19,626.60. This was to be repaid by 59 monthly payments of £318.66, followed by a final payment of £328.66.

In September 2024, Mr D complained – via a professional representative (PR) – to Startline about its decision to lend. In doing so, PR alleged (amongst other things) that Startline failed to conduct sufficient affordability checks which, had it done so, would have alerted it to the possibility the lending was unaffordable. Further, PR alleged that, at the time of the agreement, Mr D *had a history of defaults and arrears on various credit account which should have raised significant concerns for Startline about [Mr D's] ability to manage another substantial credit agreement*.

In November 2024, Startline issued its final response. In short, Startline did not agree with Mr D's complaint. In doing so, it said that it had carried out appropriate checks as a result of which it was satisfied Mr D was able to afford the credit at the time of the application.

Unhappy with this PR, on behalf of Mr D, referred the complaint to our service.

In June 2025, our investigator issued their opinion in which they didn't think Startline had treated Mr D unfairly, and so they didn't recommend that the complaint be upheld. In short, our investigator did not think there was sufficient evidence to conclude reasonable and proportionate checks had been carried out, but they didn't think such checks – had they been completed – would have given Startline cause to refuse to lend.

PR, on behalf of Mr D, didn't agree with the investigator's findings. In doing so, PR reiterated its view that Startline failed to conduct proportionate affordability checks. It also said that the investigators assessment was *based on incomplete and reconstructed financial information which includes income/expenditure estimates not available to the lender at the time*. And this *retrospective assessment does not excuse Startline's failure to make appropriate enquiries before entering into [the] agreement*. Finally, PR alleged that the agreement was unfair to Mr D – bearing in mind he was *showing clear signs of financial vulnerability* which created a *significant risk of harm* - under Section 140A of the Consumer Credit Act 1974.

As an agreement couldn't be reached, the complaint has 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.

Having done so, I've reached the same conclusion as our investigator and for the same reasons. I understand this will come as a disappointment to Mr D. However, I'll explain why I think this is a fair outcome in the circumstances.

However, before I do, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. I've kept in this mind when deciding this complaint.

Startline needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr D could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Startline carry out reasonable and proportionate checks to satisfy itself that Mr D was likely to have been able to repay the borrowing in a sustainable way?

i. If Startline carried out such checks, did it lend to Mr D responsibly using the information it had?

Or

ii. If Startline didn't carry out such checks, would appropriate checks have demonstrated that Mr D was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr D lose out as a result of Startline's decision to lend to him?

3. Did Startline act unfairly or unreasonably in some other way?

Did Startline carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr D was applying for along with the size, length and cost of the

borrowing; and

- Mr D's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship. I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr D's complaint.

Prior to agreeing to lend, Startline asked Mr D to provide some information about his circumstances, including his living arrangements, employment and income. Mr D declared he was single with no dependents and that he was in full-time employment with a net monthly income of £2,386.

And Startline says it cross-checked Mr D's declared income against information that it received from credit reference agencies which takes current account turnover data (CATO) to help verify an applicant's regular income. Having done so, it was satisfied the declared monthly income was accurate.

Startline also carried out a credit search on Mr D and it has provided a copy of the results. As our investigator noted, the credit search revealed Mr D had a total of 12 defaulted accounts present on the credit report. The earliest of these was applied in March 2015 and the most recent was applied in February 2020. The total defaulted balance, across all 12 accounts, was £18,109. Although I note that by the time the lending in question was approved, this had been reduced to £7,466 and seven of the defaults had been cleared entirely. I also note that the credit report revealed Mr D was utilising about 84% of his available credit on his revolving credit commitments.

I accept that the defaults were applied quite some time before the lending in question – and Mr D was clearly making inroads into the defaulted debt - so, it would appear Mr D's financial situation had stabilised. However, in my view, the presence of defaulted accounts on the credit search and the reasonably high level of revolving credit utilisation - coupled with the amount advanced and the length of time Mr D was expected to maintain not insignificant monthly repayments - means that Startline ought to have taken further steps to get an understanding of Mr D's actual living costs.

Startline hasn't shown me that it considered Mr D's actual living costs and other regular expenditure in any detail. I think this was something it needed to understand in order to make a fair lending decision.

With all of this in mind, like our investigator, I'm not persuaded the level of checks Startline carried out were reasonable and proportionate in the circumstances.

Would reasonable and proportionate checks have demonstrated that Mr D was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown Startline in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing Startline that Mr D would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that Startline hadn't considered in March 2021.

Startline could have obtained a deeper understanding of Mr D's financial circumstances by asking for his bank statements, for example. Mr D has kindly provided bank statements covering the three months before he applied for the lending in question (i.e. December 2020 - February 2021). I'll refer to this as the 'Relevant Period'.

I accept that something that we can now see from the information Mr D has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks Startline might have decided to carry out. But, in the absence of anything else from Startline, I don't currently think it's unreasonable to rely on Mr D's bank statements when determining what his financial circumstances were likely to have been like before he applied for this loan.

However, to be clear, I've not looked at Mr D's bank statements because I think that Startline ought to have obtained them before lending to him. I've consulted Mr D's bank statements because they were readily available at this stage and they contain the information I now need to reconstruct the proportionate checks Startline should have made, but failed to carry out.

Having looked at the bank statements for the Relevant Period, I can see that, in terms of regular income, Mr D received his salary. On average this equated to £2,586 per month across the Relevant Period¹. Therefore, the figure Startline relied on when making its lending decision (i.e. the figure Mr D declared and it verified through CATO) was actually slightly less than the true figure.

As our investigator noted, the bank statements do not reveal the regular expenditure one might expect to see – including, but not limited to – rent, utilities and council tax. Our investigator asked Mr D – via PR – about this. In response, Mr D confirmed he was renting with a friend at the time. And Mr D also confirmed his committed expenditure was as follows:

Rent/Mortgage: £650/700 (increased around this period)

Council Tax: £60

Gas: £0

Electricity: £70

Water: £20

Petrol: £120

Essential food shopping: £200

¹ I note there were also receipts from various sources – including what appears to be friends or family – but as these were inconsistent in both frequency and amount I have not taken these into consideration (and nor would I expect a responsible lender to do so) as reliable streams of income.

*"I also had a loan payment of £149 and £185
Car insurance £110
Credit card payment of £90
Other outgoings around £100-£150 a month"*

Based on Mr D's bank statements and his response to our investigator's enquiries, I can see he was making regular payments for, amongst other things, rent, credit commitments, car costs, communications contracts as well as general living costs such as fuel and food. However, taking all of this into account, his monthly expenditure was around £1,700. And, once the monthly repayments for the lending in question (£318.66) were factored in, this figure rises to just above £2,000.

Bearing in mind his income, I am satisfied Startline would have reasonable cause to conclude that Mr D had sufficient means to affordably and sustainably repay the lending in question. In other words, I do not find that further checks would have shown Startline the new agreement to have been unaffordable.

What's more, the bank statements did not reveal any other obvious signs of financial strain, such as prolonged use of an overdraft, reliance on short-term lending or returned Direct Debits.

Whilst I've noted the credit file showed a number of historical defaults, as I've said, it would appear Mr D's credit performance had now stabilised. And I don't think there is anything in the information Startline would likely have gathered – if it had conducted further checks - to think this was not the case. After all, his payments towards his other credit commitments were being maintained and the default balance was being reduced.

With all of this in mind, if Startline had made further checks, as I think it should have, then I think it's unlikely it would have decided the lending in question was unaffordable or unsustainable for Mr D. So, I don't think Startline acted unfairly by agreeing to lend.

Did Startline act unfairly or unreasonably in some other way?

In response to our investigator's opinion, PR said that a *retrospective assessment* [of Mr D's financial situation] *does not excuse Startline's failure to make appropriate enquiries before entering into [the] agreement*. I agree – as did our investigator – that Startline did not conduct a reasonable and proportionate level of checks. However, this in and of itself, is not sufficient cause to uphold the complaint and award redress. It is important to go on consider what reasonable and proportionate checks would likely have shown. And, having recreated (as far as practicable), the checks Startline ought to have carried out, I am not persuaded that it would have reached a different lending decision.

In determining this matter, I've also considered whether Startline acted unfairly or unreasonably in some other way given what Mr D has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Startline lent irresponsibly to Mr D or otherwise treated him unfairly. 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.

With that being the case, whilst I understand this will come as a disappointment to Mr D, I do not uphold this complaint.

My final decision

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 1 October 2025.

Ross Phillips
Ombudsman