

The complaint

Mrs H is complaining that Close Brothers Limited trading as Close Brothers Motor Finance (CBMF) shouldn't have lent to her – she says the lending was unaffordable. Mrs H is represented in her complaint, but for ease I've written as if we've dealt directly with her throughout.

What happened

In June 2021, Mrs H entered into a conditional sale agreement with CBMF to finance the purchase of a vehicle. She paid a deposit of £3,500 and borrowed £4,395 – the cash price of the vehicle was £7,895. The agreement required Mrs H to make payments of around £92 per month for five years.

In June 2024, Mrs H complained to CBMF, saying they hadn't carried out suitable checks before lending to her, and this had resulted in financial hardship.

In response, CBMF said they'd carried out appropriate checks before lending to Mrs H. They said based on the information Mrs H had provided at the time and the checks they'd undertaken the agreement had appeared affordable. So they said they'd acted reasonably in lending to Mrs H. Mrs H was unhappy with CBMF's response and brought her complaint to our service.

One of our investigators looked into the complaint. He said he didn't think CBMF had done enough checks. But, he said, he hadn't been provided with enough evidence to show what they'd have found if they'd done more. So he didn't uphold the complaint.

Mrs H disagreed. She said the burden of proof ought to be on CBMF, not on her. She then said it was reasonable to use some conservative benchmarks of what her expenses would have been at the time, and doing so demonstrated that the agreement would have been unaffordable for her given she'd told CBMF her income was £1,000 per month. She asked for an ombudsman's decision, and the matter's come to me.

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, and acknowledging how disappointing this will be for Mrs H, I'm not upholding her complaint for broadly the same reasons as our investigator. I'll explain why below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did CBMF carry out proportionate checks?

As this was a significant financial commitment for Mrs H, requiring her to pay nearly 10% of her net monthly income each month for five years, I'd expect the checks to be thorough.

Before lending to Mrs H, CBMF:

- Carried out a credit check; and
- Asked Mrs H about her income and rent, and used her credit file to estimate her monthly credit commitments.

Based on these findings, CBMF decided the loan would be affordable for Mrs H. The notes say they were satisfied this would be the case because Mrs H's income was consistent with her occupation and she'd been in the same employment for over three years. They also noted that the proposed vehicle and repayment terms suited Mrs H's profile, and that she'd recently managed repayments for a comparable loan.

I'm not satisfied CBMF carried out enough checks. That's because this was a lengthy commitment for Mrs H and she had a relatively low net monthly income. So, they should have done more to understand Mrs H's financial situation. However, concluding that CBMF should have done more checks isn't enough for me to uphold Mrs H's complaint – I also have to consider whether CBMF could have fairly lent to Mrs H if they had done proportionate checks.

What would CBMF have found if they had done proportionate checks?

Mrs H hasn't provided any information about her own financial circumstances at the time of CBMF's lending decision. Instead, she's provided external data which suggest her council tax, energy and water would have come to around £290 per month. She said adding to that the £300 rent cost she'd declared to CBMF as well as an allowance of £200 for food and her existing credit commitments of around £70 per month, she'd be left with around £140 per month before paying CBMF. After paying them, she said, she'd have been left with less than £50 per month, which would have been plainly unsustainable.

I understand the logic Mrs H has applied. And I appreciate she feels it's unfair that she has to provide evidence of her circumstances at the time when it's CBMF that failed to do what they ought to have done. But the figures Mrs H has supplied take no account of the fact that she shared her home, and therefore likely her household expenses, with her husband – which would likely have significantly reduced those costs.

In addition, the credit report CBMF obtained shows that Mrs H paid £106 per month against a loan for 30 months from January 2018 to August 2020 – just ten months before this loan. It appears she made all these payments on time – suggesting she'd likely be able to make the payments due to CBMF under this agreement. Whilst the credit report suggests Mrs H had experienced some financial difficulties in early 2019, eventually defaulting on one account in May 2019, she'd significantly reduced the default balance and brought her other accounts up to date. And she hadn't missed any payments in the twelve months preceding this agreement. Mrs H wasn't using the credit limits available to her on her credit card and hadn't taken out any other credit recently – so there's no indication from the credit report that she was in financial difficulties at the time.

Taking everything together, then, Mrs H told CBMF she had income of £1,000. Deducting her existing credit commitments, her rent of £300, and the repayments needed for this loan would have left her with around £600 from which to cover her share of all other household expenditure. And her credit report showed no sign of financial difficulties at the time of CBMF's lending decision. Without any further information, I can't say this was clearly

unaffordable. In summary, I'm not persuaded that CBMF wouldn't have been able to fairly lend to Mrs H if they'd carried out additional checks. So I'm not upholding Mrs H's complaint.

Did CBMF treat Mrs H unfairly in any other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think CBMF lent irresponsibly to Mrs H or otherwise treated her 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

As I've explained above, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 30 December 2025.

Clare King
Ombudsman