

The complaint

Mrs R, who is represented by a third party, complains that First Response Finance Limited ('First Response') irresponsibly gave her credit by way of a hire purchase sale agreement she says she couldn't afford to repay.

What happened

In February 2022, Mrs R acquired a used car financed by a hire purchase agreement from First Response, borrowing £7,750. She paid a cash deposit of £745. Mrs R was then required to make 52 monthly repayments of £248.37. The total repayable under the agreement was £12,915.24.

Mrs R says that First Response didn't complete adequate affordability checks. She says if it had, it would have seen the agreement wasn't affordable.

First Response didn't agree. It said that it carried out a detailed evaluation to establish that the agreement could be sustainably repaid. This included checking Mrs R's income, her credit situation and identifying key items of regular expenditure.

One of our investigators looked into the complaint and didn't recommend the complaint be upheld. He thought First Response didn't act unfairly or unreasonably by approving the finance agreement.

Mrs R and those representing haven't agreed with that finding. Another investigator has since clarified a misunderstanding that had arisen about the credit check. As they still don't agree, the complaint has been passed to me for a final 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 R's complaint.

Before granting the finance, I think First Response gathered a reasonable amount of evidence and information from Mrs R about her ability to repay. I say this because, aside from the details she provided to First Response at the point of application, First Response made enquiries about her financial circumstances. This included completing a credit check in order to understand how Mrs R had managed existing and previous finance arrangements. It also verified Mrs R's income with a payslip and then asked her to provide details of her key household outgoings.

However, just because I think First Response carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. I've therefore reviewed the information and evidence First Response gathered. Having done so I'm satisfied that the checks that

were completed showed that the agreement was likely to be affordable to Mrs R.

Mrs R told First Response she was receiving a monthly net income of around £850, which was topped up with state benefits of just over £1,200. Her earned income was verified by the payslip she supplied. She was also asked to confirm what she was paying in housing costs each month and this was used alongside statistical data to produce an overall picture of her monthly living costs. Based on what it found, First Response calculated that Mrs R would have around £450 available in disposable income each month. So the new agreement looked to be affordable.

Mrs R's credit file showed that historically she'd been in an IVA, which had ended in late 2021. She did not – contrary to what the investigator who first looked at the complaint may have suggested – have a defaulted account in the previous 12 months. The most recent default I've seen dates back to July 2019. She *did* have some recent missed payments on utility bills but had got these back on track and they were clear by the time she applied. First Response calculated that Mrs R's existing credit costs were working out at around £90 per month.

So, whilst there was evidence of historical credit issues, there was also evidence to show the monthly cost of the new agreement was likely to be affordable. And that evidence went further than simply relying on her credit file and estimates of her monthly costs. By the time she took out the agreement Mrs R appeared to be in much better control of her financial and debt commitments.

Taking all of this on board, I don't think First Response acted unfairly when approving the finance application. And from what I've seen, First Response provided Mrs R with a reasonable level of help and support during the course of the agreement on the occasions she missed payments, including when issues arose with repairs that were needed to the car.

I've seen that the third-party representing Mrs R has continued to disagree with our investigator's finding, despite clarification about her recent credit history. I'm satisfied that from what I've seen that First Response took appropriate steps to make a fair lending decision based on the checks it carried out and what it saw.

I've considered whether the relationship between Mrs R and First Response might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think First Response lent irresponsibly to Mrs R or otherwise treated her 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.

My final decision

For the reasons given above, I don't uphold this complaint.

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

Michael Goldberg
Ombudsman