

## **The complaint**

Mr P is complaining that Tandem Motor Finance Limited trading as Tandem shouldn't have lent to him – he says the lending was unaffordable.

## **What happened**

In April 2025, Mr P borrowed £27,372 from Tandem to finance the purchase of a vehicle. He didn't pay a deposit, so borrowed the full cash price of the car. The hire purchase agreement ran for 72 months and required Mr P to make monthly repayments of around £665.

In May 2025, Mr P complained to Tandem, saying they'd lent to him irresponsibly. In particular, he noted that he hadn't been asked to provide payslips or bank statements when applying for the agreement.

In response, Tandem said all applications go through a creditworthiness and affordability assessment, and they speak to every customer before finalising the loan. In respect of Mr P specifically, they said they'd used an automated tool to check his income and determined it was around £2,670 per month. They said they'd also checked his credit file and had completed an income and expenditure assessment using his credit report to determine payments to existing creditors and statistical data to estimate his cost of living expenses. They said they'd determined he'd have around £440 per month disposable income each month after making the repayments due. And they said his credit report indicated a stable financial position. So Tandem didn't uphold Mr P's complaint.

Mr P was unhappy with Tandem's response and brought his complaint to our service. When he did so, he told us he didn't earn anywhere near what Tandem had said, and he was really struggling with the monthly payments. Mr P also said he'd sold his previous car and had to pay the negative equity on that in order to take out this agreement. He wanted us to consider this when thinking about how to put things right. Finally, Mr P complained about the amount of commission that had been paid to the broker for this agreement – but we told him he'd need to raise this as a separate complaint.

One of our investigators looked into Mr P's complaint but didn't uphold it. In summary, he said he thought Tandem had done enough to check that the lending was affordable for Mr P.

Mr P remained unhappy so asked for an ombudsman to review his complaint. He said he was on benefits, with no guaranteed employment income. He said he had long-term challenges with his health which meant he was self-employed as a delivery driver and worked as and when he could with very limited income. Mr P said he'd also been a student so he thought Tandem's income verification would have taken into account receipts from his student loan but shouldn't have. He didn't think it was fair that someone on benefits should be given a loan of nearly £30,000 with a six year term.

The complaint was allocated to me for a decision, and I issued a provisional decision on 11 September 2025. I said I was inclined to uphold Mr P's complaint, largely because it was clear Mr P's stated income wasn't accurate and I thought Tandem should have done more to understand Mr P's actual income. I said:

*“The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not 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 Tandem carry out proportionate checks?*

*Tandem said they carried out the following checks:*

- reviewed Mr P’s credit file;*
- checked his income using an automated tool; and*
- carried out an income and expenditure assessment.*

*Tandem also told us they spoke with Mr P on the phone to confirm the agreement was affordable for him. I’ve seen no evidence of this but don’t consider this impacts my intended outcome.*

*Tandem have provided a copy of Mr P’s credit file. This shows at the time of his application to Tandem he had five active credit agreements. One was a hire purchase agreement for his existing car, and the other four had no balances – they comprised two current accounts, a water account and a telecoms account. None of these accounts were reporting any missed payments in the twelve months prior to Mr P’s application.*

*I’ve also reviewed the settled accounts on Mr P’s credit file. Again, these were mostly well maintained – and certainly had been since April 2023. Mr P had missed payments on a couple of accounts during late 2022 and early 2023 but I’m satisfied these weren’t indicative of his current financial status at the time of his application and I wouldn’t have expected them to cause Tandem particular concern.*

*In summary, then, Mr P’s credit report shows he was paying £420 per month for his existing car, had no other creditors, and no recent signs of financial difficulty. Mr P has sent us a letter dated July 2024 which says he was in arrears on his hire purchase agreement. I can’t say why this wasn’t showing on the credit file Tandem obtained, but I’m satisfied they were entitled to rely on the information they obtained from the credit reference agency (CRA). And the credit report Mr P sent us also doesn’t show he had any arrears or missed payments in respect of that agreement.*

*Turning to Mr P’s income, Mr P’s application shows he’d told Tandem he earned £5,000 per month working for Royal Mail. Tandem used an automated report produced by a CRA to verify this. Mr P has raised concerns that they might have accidentally checked his brother’s details instead of his, but the report clearly shows Mr P’s name and date of birth on it so I’m confident it relates to Mr P. The report shows a calculated gross annual salary of nearly £40,000. Using a take-home pay calculator shows this would usually work out to around £2,650 per month – nowhere near the £5,000 he’d told them.*

*Mr P’s said Tandem should have checked his payslips or bank statements, and they’d have realised he didn’t earn this much. But although the CONC regulations say that a business shouldn’t rely on a customer’s own statement of their income, they don’t specify exactly what a business needs to do to verify that income. And the regulations give as an example of what’s acceptable: “information supplied by a credit reference agency”.*

However, the CONC regulations also say a business should take into account information “of which it is aware” at the time of its assessment. Tandem sent us a list of all the applications Mr P had made to them. That list includes two applications made on 10 April 2025 in which Mr P said his monthly income was around £1,900 and he was a tenant. He made three further applications on 10 April for various amounts, in which his income was stated as £4,200 and £5,000, and in which he said he was living with his parents. And then he made the application in question on 11 April, stating income of £5,000 and that he was living with his parents. I appreciate all of Tandem’s checks were automated. But I can’t say they weren’t aware on 11 April that they’d very recently declined an application from Mr P that said his income was £1,965.

So it should have been clear, both from the results of the automated check and from his previous applications, that Mr P had mis-stated his income in his application. Tandem have said the minimum acceptable income for this agreement was around £2,400. Given that CRA checks can be flawed, and Mr P had previously told them his income was lower than this, I think Tandem should have done more to understand what Mr P’s true regular and sustainable income was.

Tandem then used statistical data to estimate Mr P’s cost of living. Again, the CONC regulations allows a business to do this, “unless it knows or has reasonable cause to suspect that the customer’s non-discretionary expenditure is significantly higher than that described in the data”. There weren’t any indications from Mr P’s application or credit file that Mr P’s non-discretionary expenditure would be higher than average. So, I don’t think it was unreasonable for Tandem to rely on statistical data.

In summary, I’m inclined to say Tandem didn’t do reasonable and proportionate checks before lending to Mr P – I think they should have done more to understand his income.

#### What would reasonable and proportionate checks have shown?

Mr P has sent us his bank statements for the months before and after he applied to Tandem. It’s clear from these that he didn’t have any regular employment income. Instead, he received benefits, some limited income in relation to his self-employment as a delivery driver, and some funds from the student loan company.

Looking at Mr P’s bank statements for January to March 2025 gives the best indication of what Tandem would have found if they had done more to understand Mr P’s income. These show he received a student loan payment of £4,127 in January, benefits of £291 each month, and other income of around £1,400 in January, £386 in February, and £1,175 in March. That averages to around £2,650 per month, so it’s understandable that Tandem were able to automatically verify that amount. But in the circumstances, I don’t think it would have been appropriate for Tandem to take an average of Mr P’s income over the previous three months. Instead, I think they’d have come to a much lower figure for what Mr P’s regular, sustainable income was.

The statements after this show Mr P received a backdated Universal Credit payment in April 2025, and then began receiving Universal Credit more consistently. They show he hasn’t received much income in respect of work and they don’t show any further receipts in respect of student loans. This is consistent with his testimony that he’s graduated but isn’t well enough to work much.

Taking all of this together, I’m inclined to say if Tandem had done more to understand Mr P’s income they’d have realised he didn’t meet their income threshold for this loan. The income he did have wasn’t regular, and I don’t think it was enough to support the £665 per month loan repayment that was required under this agreement.

*Having looked at Mr P's bank statements, I can see his non-discretionary expenditure was likely lower than Tandem estimated. And I'm conscious he settled his existing hire purchase agreement when this one was approved. So it's possible Tandem might argue that the repayments under this agreement would still have been affordable for Mr P even if his income was lower.*

*But I'm not inclined to accept that argument. That's because the agreement was for six years. So, looking at Mr P's actual expenditure at a point in time when he was living with his brother and making small contributions for rent and bills wouldn't be indicative of what might be sustainable over the full six-year term of the loan. Instead, it would have been reasonably foreseeable that Mr P's expenditure would increase to something aligned with the statistical data during those six years.*

*Tandem found that Mr P's cost of living would likely be around £1,140. Adding on the loan repayments of £665 due under this agreement gives a minimum non-discretionary expenditure figure of £1,805 per month. Given Mr P's inconsistent and low income history, I'm not satisfied Tandem would have been able to decide this would be affordable for Mr P.*

*So, in summary, I think if Tandem had carried out additional checks, they wouldn't have been able to fairly decide to lend to Mr P.*

*Have Tandem acted unfairly in any other way?*

*Mr P's asked if we'd consider directing Tandem to cover the negative equity on his previous agreement. I don't think that's fair – it was Mr P's decision to trade in his old car. I appreciate he might not have done that if Tandem hadn't approved this finance agreement. Alternatively, he might have found a more affordable agreement and still traded in his old car. So I can't say that loss was a direct result of Tandem's actions.*

*I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm proposing below results in fair compensation for Mr P in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."*

Mr P accepted my provisional decision. He asked that steps be taken to get his credit file corrected as quickly as possible, saying that Tandem were reporting a default and missed payment even though they'd said they'd put the account on hold.

Tandem didn't accept my provisional decision. They said they'd used a figure of £2,421 for Mr P's net monthly income, not £5,000. And they said this was reasonable to confirm the agreement was affordable for Mr P.

### **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 not been persuaded to change my mind, and my final decision is the same as my provisional decision. I'll explain why:

In response to my provisional decision, Tandem said they hadn't used Mr P's stated income of £5,000 in their affordability assessment but instead had used £2,421. I appreciate this is a figure they felt they were able to verify using an automated income verification tool. But, the day before this application for finance, Mr P had told Tandem his income was £1,965 per month. Given the discrepancy between this and the following day's stated income, I'm not satisfied it was appropriate to use an automated income verification tool. These tools do not

guarantee a regular income figure – they often take into account transfers between accounts and ad-hoc income as well. In Mr P's case the figure generated by the tool was half what he had declared, and nearly £500 more than he had declared the previous day. So I remain of the opinion that Tandem shouldn't have relied on this and should have done more to understand what Mr P's actual income was.

If they had, as I explained in my provisional decision, they wouldn't have been able to fairly decide to lend to Mr P.

### **Putting things right**

Because Tandem shouldn't have approved the loan, it's not fair for them to charge any interest or other charges under the agreement. But Mr P has had use of the vehicle for around five months and it's fair he pays for that use. There isn't an exact formula for working out what amount would reflect a customer's fair usage of a car. But in deciding what's fair and reasonable in Mr P's case I've thought about the amount of interest charged on the agreement. In doing so, I think a fair amount Mr P should pay is £380 per month, or a total of £1,900. To settle Mr P's complaint, Tandem should do the following:

- End the agreement and collect the car with nothing further to pay.
- Calculate the total amount Mr P has paid under the agreement and deduct £1,900 for fair usage. Refund any overpayments, adding 8% simple interest per year pro-rated from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mr P's credit file regarding the agreement.

If Tandem consider tax should be deducted from the interest element of my award, they should provide Mr P a certificate showing how much they've taken off so that Mr P can reclaim that amount, assuming he is eligible to do so.

Mr P has asked that the removal of adverse information from his credit file should be done as quickly as possible. I trust Tandem will do their best to action this promptly. In the meantime, Mr P can provide this decision where necessary to show that the adverse information will be removed.

### **My final decision**

As I've explained above, I'm upholding Mr P's complaint. Tandem Motor Finance Limited trading as Tandem need to take the steps I've outlined above to settle the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 October 2025.

Clare King  
**Ombudsman**