

The complaint

Ms M, who is represented by a third party, complains that Advantage Finance Ltd (“Advantage”) irresponsibly granted her a hire purchase agreement she couldn’t afford to repay.

What happened

In April 2018, Ms M acquired a used car financed by a hire purchase agreement from Advantage. Ms M was required to make 53 monthly repayments of £152.78, with a final payment of £352.78 at the end of the agreement. The total repayable under the agreement was £8,450.12.

Ms M says that Advantage didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. Advantage didn’t agree. It said that it carried out a thorough assessment which included credit and affordability checks.

Our investigator didn’t recommend the complaint be upheld. She thought Advantage didn’t act unfairly or unreasonably by approving the finance agreement.

Ms M didn’t agree and said we hadn’t properly taken account of her financial circumstances at the time.

The case has therefore 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 Ms M’s complaint.

Before granting the finance, I think Advantage gathered a reasonable amount of evidence and information from Ms M about her ability to repay. I say this because Advantage carried out checks that included reviewing the information in her application and verifying her income by relying on the information on her payslips. Advantage was able to identify Mrs M’s occupation and her monthly income and also her residential status as a tenant. It also carried out a credit check to establish how Ms M was managing her existing credit commitments. Advantage found no evidence of Ms M having been in recent financial difficulties as there were no adverse markings on her file such as repeated missed payments or any defaults. As part of its affordability assessment, Advantage also used statistical data to work out what her typical monthly committed expenditure was likely to be.

However, just because I think Advantage carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information showed.

I've reviewed the information and evidence Advantage gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Ms M. I say this because the checks assessed her total credit indebtedness as being around £1,400. Her finances at that point were generally in good order on the basis that she was managing her bank account and other credit reasonably well. And whilst I've seen that Advantage found out as part of its checks that Ms M was borrowing using two high-cost loans from the same provider, there hadn't been any repayment issues with them, with both of them due to be paid up within the following two months. I know that those representing Ms M have some concerns about her reliance on these loans and the fact that she had taken similar loans in the past. But I don't think it necessarily follows that her overall financial situation was at real risk of deterioration.

Advantage thought Ms M's essential monthly spending would be around £840, leaving her with enough disposable income to meet the cost of the new agreement. On that basis, she'd be left with around £325 after paying the agreement.

Those representing Ms M say she wouldn't be left with enough to pay for the car running costs alongside food, clothing and unforeseen emergencies. I've thought about this and whilst I'm not suggesting that Advantage's calculations were correct in every respect, I still think, broadly speaking, they gave a good enough indication that the new agreement was likely to be affordable.

I'd like to add here that I've seen that Ms M sent us some bank statements. I don't think Advantage needed to ask for these, or similar details about her wider financial situation, at the time. But from what I've seen about overall the level of income Ms M was receiving, including her wages, state benefits and other regular payments she was receiving, she would be able to meet the cost of the new agreement on a sustainable basis.

To be clear, I'm not suggesting that there wouldn't be months when she might be financially stretched and have to be careful with her finances. But on the basis that she would continue to manage her finances without taking on further credit commitments or raising her levels of non-essential spending – which I think was a reasonable expectation for Advantage to have based on what it had already seen - the new loan was likely to be affordable for her.

It follows that, for the reasons I've given, I don't think Advantage acted unfairly when approving Ms M's finance application.

I've considered whether the relationship between Ms M and Advantage 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 Advantage lent irresponsibly to Ms M 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 Ms M to accept or reject my decision before 28 October 2025.

Michael Goldberg
Ombudsman