

The complaint

Miss S complains STARTLINE MOTOR FINANCE LIMITED (“Startline”) didn’t carry out sufficient affordability checks before it lent to her.

What happened

In September 2024, Startline provided Miss S with a hire purchase agreement for a used car. The vehicle had a cash price of £9,790, Miss S put down a £2,000 deposit so £7,790 was financed. The agreement had interest, fees and charges of £3,265.06 and if Miss S repaid the agreement in line with the credit agreement, she would’ve repaid a total of £13,055.06. This was to be repaid over 45 monthly instalments of £240.11 followed by a final payment of £250.11.

Miss S voluntarily surrendered the car in March 2025. The car has since been sold and a payment was made to the account on 20 March 2025 to reflect the sale price Startline received. However, a balance still remains and Miss S as of August 2025 owes Startline just under £900.

Startline considered Miss S’s complaint and didn’t uphold it. It concluded adequate checks were made which showed the agreement to be affordable.

Miss S’s complaint was considered by an Investigator who upheld the complaint. They concluded the credit check results provided by Startline showed that Miss S was likely in financial difficulties and as a result further checks were needed before lending. The Investigator was also concerned about the income checks completed. Had further checks been conducted Startline would’ve likely concluded the agreement couldn’t be sustainably repaid and so not lent to her.

Miss S agreed with the proposed outcome. Startline disagreed saying based on Miss S’s validated income and her outgoings she had sufficient disposable income in which to be able to afford the repayments.

As no agreement could be reached, the complaint has been passed to me, an ombudsman 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.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss S’s complaint. Having carefully thought about everything I’ve been provided with; I’m upholding Miss S’s complaint. I’d like to explain why in a little more detail.

Startline needed to make sure that it didn’t lend irresponsibly. In practice, what this

means is that Startline needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss S before providing it.

I can see that Miss S has provided us and Startline a significant amount of personal information about her vulnerabilities – I appreciate that couldn't have been easy and I thank her for sharing the information. I've thought about what she's provided but I don't intend to comment on it further because it hasn't impacted the decision I've reached in this complain. I do hope, Miss S is receiving the ongoing help and support.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Miss S declared she worked part time and received £2,200 per month from her role which she had started only weeks before taking on this loan. Startline then went about cross referencing this income with a tool provided by a credit reference agency. The results it received indicated that this net monthly income was likely to be accurate.

However, Startline didn't just rely on what it was told and what the cross check showed because it also took a copy of Miss S's bank statement – and Startline says this showed income from benefits of around £2,500 per month.

But I've looked at the bank statement it received and this showed, that over the course of the end of July to the end of August 2024 Miss S received £1,452 – significantly less than what Miss S had declared and what Startline's cross check showed.

Startline also seems to have been provided benefit award notices before the loan was granted. These show Miss S had a house benefit award – which of course wasn't income and this had to be used to cover her costs and other benefits totalling around £300 per week. Again, this is still significantly less than what she declared.

Startline has said that due to the close proximity of the application to her starting new employment, Miss S wouldn't have had a payslip. While that may be correct, Startline, as far as I can see, took no steps to check that Miss S was employed or that she was due to receive the income that she had declared – especially because the bank statements it has provided show her income was nowhere near the level that it has recorded. This ought to have raised concerns with Startline.

Startline also carried out a credit search, and it's provided a copy of the results that it received from the credit reference agency. Miss S had 18 active accounts including, credit cards, current accounts, utilities and a number of buy-now-pay later accounts (BNPL). All of the BNPL had been opened in June or July 2024.

Of these active accounts, all bar the water account had been paid as expected. The water account showed that within the previous four months she had missed at least two consecutive payments which had pushed the account into arrears.

There was also evidence that over a year before the agreement, Miss S had some difficulties – two credit card accounts had defaulted – albeit these balances had now been paid. And

Miss S also had difficulties, at the same sort of time in paying a credit union loan as while it was closed, at the point it was repaid she was three months in arrears.

Startline then says it went about assessing the application against its cost-of-living payment – this figure is arrived at by utilising data and information from the Office of National Statistics (ONS), the credit file data as well as the cost of motoring. This is then compared to the validated income to ensure the payments were affordable.

Looking at the expenditure information collected, Startline noted that Miss S had no other expenditure at all – either on car costs, rent, or anything else. I'm not sure whether this is what Miss S declared to Startline or the information Startline used to assess the affordability of the agreement. But wherever this information was gathered from it's clearly not plausible to believe Miss S had no outgoings.

Startline also, as far as I can see hasn't provided the figures it used from the cost-of-living payments – so I don't know what it assessed Miss S's likely monthly outgoings were.

I don't think those checks went far enough. I do have concerns with relying on statistical data for the purposes of this assessment. Firstly, Startline was aware of conflicting information about her monthly income – which would call into question the sustainability of the agreement and I think it's fair to say the credit checks showed some recent impaired behaviour.

I do think that before the loan was approved, Startline needed to understand at the very least what Miss S's monthly outgoings were. It could've gone about doing this a number of ways, it could've asked for evidence from Miss S about his bills or requested any other documentation it felt was reasonable. Or, as I've done here used a copy of her bank statements to work out what her living costs likely were.

I accept that had Startline conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Startline conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to. I also think it's fair to say that Miss S's personal situation and bank statements show a complex picture of what was happening at this time.

Firstly, turning to the income Miss S was due to receive – I've seen a number of months bank statements leading up to the granting of the facility and I do think given the award notices that I've seen that her regular monthly income was around £1,200 per month – although there was some fluctuation given when the benefits were paid.

It's also worth saying that while Miss S has said she had recently starting working at the time, I've seen no evidence in her bank statements of receiving an income – even in the months after the granting of the finance the same sorts of benefits are received.

I've looked at Miss S's living costs and in terms of the direct debit payments she had for various things including insurance, gym, council tax and utilities. And I can understand why Startline concluded that perhaps on a pure pounds for pence bases the agreement may have appeared affordable.

However, I also have to think about whether the agreement was actually sustainable for Miss S – and having looked at the statements, I don't think it was. Firstly, as Startline was aware she was a regular user BNPL – while the credit checks showed five active accounts Miss S was making payments to at least 12 of these sorts of accounts and one just one was costing her £238 per month.

But there were also signs that Miss S was already struggling to meet her existing payments – in the months leading up to the agreement starting there were no water payments visible – indicating that the account was likely back in arrears. And I can see in just the six weeks or so before the agreement started that Miss S had difficulties paying seven direct debits – with them being returned unpaid. Importantly, these are priority payments such as utilities as well as her council tax. Which is a sign as set out in CONC 1.3 that Miss S was likely having financial difficulties at the time.

Given what I've seen, in her bank statements, the concerns around her income and the credit file showing impaired credit history I do think if further checks had been made that Startline couldn't have been confident that Miss S would be in a position to sustainably pay the agreement without having financial difficulties. I am therefore upholding the complaint and I've set out below what it needs to do in order to put things right.

Finally, I've also thought about whether Startline acted unfairly or unreasonably in any other way and I've considered whether the relationship might have been unfair under Section.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have set out below results in fair compensation for Miss S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I've set out below what Startline needs to do in order to put things right.

Putting things right

Miss S made use of the credit facility Startline provided, and he purchased a car with this. As such, it's only fair that she pays for the time she had access to the car as such I don't think the full monthly cost of the agreement is a true reflection of what it would've cost Miss S to stay mobile during this time.

I don't think that the monthly repayments of £240.11 are a fair reflection of what fair usage would be. This is because a proportion of those repayments went towards repaying interest.

There isn't an exact formula for working out what a fair monthly repayment would be to reflect Miss S's usage. But in deciding what's fair and reasonable I've thought about the amount of interest charged on the agreement, Miss S's likely overall usage of the car and what his costs to stay mobile would likely have been if he didn't have this car. In doing so I think a fair amount Miss S should pay is £215 for each month she's had use of the car up to the point it was returned.

The Investigator said Miss S's liability should be capped at £1,290 and I agree with this. And so to settle the complaint Startline should;

- Refund the deposit Miss S paid adding 8% simple interest[†] from the date of payment until the date of settlement.
- Startline should calculate how much Miss S has paid it and from this figure deduct £1,290. Startline should then refund any overpayments from the date they arose to the date of settlement adding 8% simple interest[†] to these overpayments.
- Should there still be an outstanding balance then Startline should arrange an affordable repayment plan with Miss S, while taking into consideration the requirements to treat Miss S's financial difficulties with forbearance and due consideration.
- Startline should also remove any adverse payment information recorded on Miss S's

credit file about this agreement.

HM Revenue & Customs requires Startline to take off tax from this interest. Startline must give Miss S a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons I've explained above, I'm upholding Miss S's complaint.

STARTLINE MOTOR FINANCE LIMITED should put things right for Miss S as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 5 January 2026.

Robert Walker
Ombudsman