

The complaint

Mr M complains that Advantage Finance Ltd provided him with an unaffordable hire purchase ("HP") agreement and terminated it early causing distress.

What happened

In August 2023 Mr M acquired a car funded by a HP agreement with Advantages. The car was some eight years old and cost £9,995. The agreement shows the annual percentage rate ("APR") was 42.02% and the monthly payments were £357.53 with the total sum due of £21,639.80.

Mr M fell into arrears after some four months and continued to miss a number of payments. Mr M complained and this was rejected by Advantage. The matter was brought to this service where it was considered by one of our investigators. Advantage reviewed the situation and concluded the finance had been unaffordable and agreed that Mr M should be put back in the position he should have been had he not taken out the agreement.

Our investigator reviewed the offer and said that it was a fair proposal. In short, the agreement would be ended and the car collected. Mr M would be expected to pay £190 per month for the use of the car and a payment of £300 compensation would be made.

Mr M didn't agree and said the car held the same value as when he bought it so it was unfair for Advantage to benefit from a termination. He said the termination process had been unfair due to him not being made aware that he had to pay all the outstanding arrears. He also considered the credit reports made by Advantage had disadvantaged him and so he thought more compensation was due. Finally, he asked that the termination be delayed in order for him to retain the car for a reasonable transition period.

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.

I have every sympathy with Mr M and I think his complaint should be upheld. However, I do not consider that the redress should change from that recommended by our investigator. I will explain why.

Mr M has suggested that Advantage misrepresented the finance agreement, but I do not agree. The agreement sets out clearly the sum borrowed, the repayments due, the APR and the total sum due. He says he was not offered an alternative, but that did not stop him seeking other means of financing the purchase. Advantage offered him the deal and he chose to accept it. I gather his financial history was such that the rate charged was relatively high, but that did not mean Advantage misrepresented what it was offering. Nor was he forced to accept the agreement.

Advantage was in regular contact with Mr M concerning his missed payments which were gradually building up. It issued a notice of default letter on 28 April 2025 explaining that all

arrears needed to be paid or the agreement may be terminated. It followed this up with a default notice on 9 July 2025. This was after a direct debit indemnity claim was processed by Mr M's bank. He has said this was initiated by his wife. The reality is that Mr M was in serious arrears and Advantage made him aware that these needed to be paid.

I am satisfied Advantage took reasonable steps and kept Mr M properly informed.

However, it has accepted that the loan was unaffordable. I have seen their calculations and credit checks and while these seem reasonable it is clear that Mr M has not been able to service the loan. As such he needs to be put back in the position he would have been in had he not taken on the finance and had the use of the car.

That means the payments he made should be refunded, but it is right that he make a contribution towards his use of the car. He has had the car for some two years and I do not consider there are grounds for him having had it for this period without any cost above running costs. I consider the sum of £190 a month is reasonable.

As the agreement should not have been approved it is right that Advantage should remove all adverse entries it notified on his credit file and ensure it is restored to the position it was in before he entered the agreement.

I appreciate Mr M would like to retain the car and Advantage provide finance, but I do not consider that a reasonable request. It would be wrong for Mr M to be placed in a position where he may find himself in further financial difficulties.

As for the matter of compensation I appreciate Mr M has suffered distress and inconvenience. Not all of that can be seen as the responsibility of Advantage, but I do think a payment is merited. Our investigator has suggested £300 and I think this is appropriate.

Mr M clearly is keen to ensure he has access to a car and I can understand this, but I consider it reasonable that the issue be resolved without further delay.

Putting things right

Advantage should:

- end the agreement and collect the vehicle ensuring the customer is not liable for monthly rentals after the point of collection,
- remove any negative information from Mr M's credit file in relation to the finance agreement and any missed payments/defaults,
- retain £190 per month for each month Mr M has had use of the car, until the date of settlement,
- pay 8% simple yearly interest on sums repaid from the date of payment to the date of settlement and
- pay direct to Mr M £300 for any distress or inconvenience that's been caused.

My final decision

My final decision is that I uphold this complaint and I direct Advantage Finance Ltd to pay redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 November 2025.

Ivor Graham
Ombudsman