

## The complaint

Miss Z complains about the checks Specialist Motor Finance Limited trading as Specialist Motor Finance (SMF) conducted prior to approving her for finance.

## What happened

In January 2023, Miss Z acquired a used car financed through a Hire Purchase Agreement (HPA) with SMF. The cash price of the car was £12,995 and the full amount was provided as credit through the agreement.

The agreement required Miss Z to make 59 monthly repayments of £374.20, followed by a final payment of £384.20 on month 60.

In December 2024, Miss Z complained to SMF. She said they'd failed to complete sufficient affordability checks prior to entering into the credit agreement which, as a result, had caused her to experience financial hardship.

SMF didn't think they'd done anything wrong saying they were satisfied the correct checks were done, and that the results of those checks showed that the finance should have been affordable for Miss Z.

Miss Z remained unhappy, so she asked the Financial Ombudsman Service to look into her complaint. She said SMF failed to act in her best interests when providing her with a high-interest rate loan, when she was a single parent and living in private rented accommodation.

One of our Investigator's looked into things but she didn't uphold the complaint. She said she thought the checks SMF had completed were reasonable and proportionate, and based on what those checks showed, she said she believed SMF's decision to lend to Miss Z was fair.

Miss Z disagreed with the NET income figure SMF say she'd declared at the time of her application, providing confirmation from the broker that she'd applied using a much lower amount. She also said because SMF knew she was in receipt of universal credit (UC) payments, they knew she was vulnerable but didn't think they'd taken any extra steps to ensure they lent responsibly.

After speaking to SMF about the discrepancy in the income figure used, our Investigator told Miss Z, SMF had confirmed they'd used the figure provided to them by the broker – before going on to verify the figure using an income verification tool provided by a credit reference agency (CRA). Our Investigator added that SMF also said, having subsequently reviewed Miss Z's bank account statements, they showed her actual income was higher than what they'd accounted for.

Our Investigator acknowledged Miss Z shared that she had received a UC payment in error during the months preceding the application. Miss Z said this shouldn't have been included as being her income, but our Investigator said SMF wouldn't have known about the error at the time, so remained of the opinion SMF's checks had been proportionate.

Miss Z remained unhappy. Because no agreement could be reached, this complaint has been passed to me 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.

Having done so, and I acknowledge it will come as a disappointment to Miss Z, I'm not upholding her complaint for broadly the same reasons as our Investigator. I'll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Miss Z's complaint. SMF needed to ensure they didn't lend irresponsibly which in practice, means they needed to carry out proportionate checks to be able to understand whether any lending was affordable and sustainable for her before agreeing to provide the finance.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like SMF to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- 1) Did SMF complete reasonable and proportionate checks to satisfy themselves Miss Z would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
  - If they did, was their decision to lend to Miss Z?
- 2) Did SMF act unfairly or unreasonably in some other way?

#### Did SMF complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £22,460, with Miss Z committing to make 59 monthly repayments of £374.20, before a final payment of £384.20 on month 60. So the monthly repayments here weren't insignificant and this was a relatively lengthy credit commitment for someone to enter into repaying. So, my starting point is that I'd expect to see SMF to have completed a proportionate but thorough affordability check.

SMF say within the application data they received, they were told Miss Z was employed full time earning a NET monthly income of £2,799.67, that she was single and living in rental accommodation at the time.

I'm aware Miss Z strongly disputes the income figure used, providing confirmation from her broker that a lower NET income of £2,150 a month was used when the application was made. Miss Z confirms the lower amount was her actual income from her employment.

But Miss Z has also said at the time of her application, she declared her income from both her employment and her UC. And I've seen from the bank account statements she's provided, her income when including the UC she was in receipt of was higher – and much

more in line with the figure SMF used.

SMF have provided the application data they received, and I can see they were told Miss Z was in receipt of an annual income figure of £33,596. SMF have confirmed they always ask their brokers to provide them with the applicants NET income figure, so from this they went on to calculate Miss Z earned a NET monthly income of £2,799.67.

SMF took this figure and verified it using an income verification tool provided by a CRA, so I'm satisfied it was reasonable for them to have confidently relied upon the information they were provided. I don't think they needed to have completed any further checks here.

SMF then completed a credit file check and used the information they obtained, alongside using statistical data to assess both the affordability and sustainability of the loan for Miss Z prior to offering her the finance.

The credit report data which I've seen SMF obtained, showed them Miss Z held a total of five active accounts at the time of the application. SMF saw Miss Z held one personal loan with an outstanding balance of £5,613. They could see she was committed to repaying £211 a month towards the agreement and that she'd managed the account well with no missed or late payments over the 12 months prior.

SMF could also see Miss Z had a car insurance policy she was committed to paying £74 a month towards, two bank accounts, neither of which had overdraft facilities on them and one utilities account. Again, SMF could see all these accounts were being managed well.

In addition to her active accounts, SMF could see Miss Z had nine previously settled accounts, including two HPA's, fixed credit and personal loan accounts, a credit or store card and a number of communications, utility or insurance accounts – all of which had been managed well with no signs of financial difficulties.

SMF could also see Miss Z had suffered some financial difficulties in the past, with her having defaulted on one personal loan and having been subject to one county court judgement (CCJ) regarding another account. But both events had occurred over four years prior to the application. As such, I'm satisfied it was reasonable for SMF to have considered these to be historic, instead relying on the active credit facilities they could see Miss Z was managing well.

From the credit check data SMF obtained they could see Miss Z had committed expenditure to her existing credit of around £377 a month. This amount included payments to reduce both her historic defaulted account and CCJ.

SMF used this figure alongside Miss Z's commitment of £74 a month towards her car insurance, which they also obtained from the credit check data, and statistical data which they used to help them get a better understanding of expenditure for people similar to her.

Using the statistical data, SMF estimated Miss Z's outgoings towards her rent to be around £724 a month and a combined amount of around £538 towards other expenses such as for the cost of living and for travel costs.

Finally, SMF added an additional buffer of £100 a month prior to estimating Miss Z's disposable income to be around £985 a month.

So, in summary, I wouldn't expect SMF to do more in the circumstance's given the credit check result showed them Miss Z's recent and existing finances had been and were being managed well.

SMF verified Miss Z's income and took into consideration her actual commitment to existing credit and car insurance and used statistical data to estimate other likely essential expenditure, before making a lending decision.

Overall, I think SMF completed reasonable and proportionate checks and from all the evidence and information they gathered, I'm satisfied what they saw allowed them to fairly assess if the agreement was affordable and sustainable for Miss Z.

But this doesn't automatically mean SMF went on to make a fair lending decision – it's this I'll go on to look at next.

#### Did SMF make a fair lending decision?

SMF verified Miss Z's net monthly income and while I understand she says the NET monthly income she declared from her employment was much lower, she has also confirmed her UC was declared at the time of the application. So, for the reasons I've already explained, while I think it was reasonable for SMF to have relied on the information they were provided, in any case her actual income was more in line with the figure SMF went on to verify due to the UC Miss Z also received.

SMF then used a combination of her actual commitments to existing credit and car insurance alongside statistical expenditure data for things like rent, food, utilities and transport costs.

CONC allows firms to use statistical data in their affordability assessments unless they have reason to suspect that a customer's non-discretionary expenditure is significantly higher than that described in the data. From the above information gathered by SMF I haven't seen anything to suggest the use of statistical data wasn't proportionate here.

After doing this, SMF found Miss Z had a likely monthly expenditure of around £1,714. Allowing for an additional buffer of £100, this left Miss Z with a disposable monthly income of around £985.

I think this amount was reasonable for SMF to have concluded the monthly commitment of around £374 a month they went on to agree, was both affordable and sustainable for Miss Z.

Finally, I'm aware Miss Z has said she received a UC payment in error during the months leading up to the application, a payment that she was being asked to return. But it's important to say here that I'm satisfied SMF's checks were proportionate so I can't say they ought to have had reason to look deeper into Miss Z's income than they did. Miss Z says she declared her UC income to her broker, and I think it's reasonable to conclude she would've only declared the actual UC she was entitled to be in receipt of, so I can't say SMF ought to have had any reason not to rely on the figure they verified.

So, in summary, as I've said, I'm satisfied SMF's checks were reasonable and proportionate. And I'm also satisfied they made a fair lending decision based on the outcome of those checks, so I'm not upholding this complaint.

#### Did SMF act unfairly or unreasonably in some other way?

I've also thought about how SMF acted and treated Miss Z when she fell into arrears on the agreement. I can see SMF signposted Miss Z towards external help, someone whom Miss Z was already in touch with. While I can't say SMF have acted unfairly here, however, as it's clear SMF are aware of Miss Z's financial difficulties, I'd remind them of their responsibility going forward to continue treating her with forbearance and due consideration.

I've also considered whether SMF acted unfairly or unreasonably in some other way given what Miss Z has complained about, including whether its relationship with Miss Z might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think SMF lent irresponsibly to Miss Z 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 I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or reject my decision before 28 November 2025.

Sean Pyke-Milne  
**Ombudsman**