

The complaint

Miss C complains that sufficient checks weren't completed by Advantage Finance Limited before it supplied a car to her under a hire purchase agreement.

What happened

A used car was supplied to Miss C under a hire purchase agreement with Advantage Finance that she electronically signed in October 2022. The price of the car was £10,000 and Miss C agreed to make 59 monthly payments of £345 and a final payment of £545 to Advantage Finance. Miss C voluntarily terminated the hire purchase agreement and the car was returned to Advantage Finance in May 2025.

Miss C complained to Advantage Finance about issues relating to the hire purchase agreement in July 2025, but it didn't uphold her complaint. It said that it was satisfied that the loan was affordable at the time that it was taken out and that it didn't believe that it had been neglectful in assessing affordability for the loan. It said that it had found no evidence that would suggest that it lent to Miss C irresponsibly and she hadn't provided any proof or further evidence that would back up claims of unaffordability. Miss C wasn't satisfied with its response so referred her complaint to this service.

Miss C's complaint was looked at by one of this service's investigators who, having considered everything, didn't think that Advantage Finance had acted fairly. She thought that the information and evidence that Advantage Finance had gathered from Miss C showed that the hire purchase agreement wasn't affordable and sustainable and that it should have known that further lending wasn't appropriate. She said that Advantage Finance should calculate how much Miss C had paid in total and deduct £5,000 for fair usage. If Miss C had paid more than the fair usage figure, she recommended that Advantage Finance should refund any overpayments, with interest, but if there were any arrears after the settlement had been calculated, it should arrange an affordable repayment plan, and treat Miss C with forbearance and due consideration. She also said that it should remove any adverse information recorded on Miss C's credit file regarding the agreement.

Miss C has accepted the investigator's recommendation, but Advantage Finance has asked that Miss C's complaint be referred to an ombudsman. It says, in summary and amongst other things, that: Miss C's income was substantial and there was nothing significant on her credit file considering it's a specialised company in adverse credit history; its checks support that its decision was correct as Miss C paid flawlessly; a car is a vital purchase; and no further mention has been made of the £240 per month which would have increased Miss C's available balance.

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.

Miss C applied to Advantage Finance for credit to pay for a car to be supplied to her and she completed a motor finance proposal which showed that she was employed with a monthly

income of £1,727. Advantage Finance says that Miss C's income was confirmed using current account turnover data from her primary bank account provided by a credit reference agency which verified that the maximum amount to lend to her was £10,000.

Advantage Finance also made a credit search and carried out an affordability assessment. It says that it has developed a sophisticated assessment process which makes use of statistical data available from a variety of official sources, in addition to the actual credit repayment costs indicated from the credit search, plus the addition of a generous buffer. It says that it used the following expenditures in its affordability assessment: mortgage/rent £651; utilities £102.82; council tax £87.35; essential living costs £181.42; existing credit commitments £82.65; and car insurance £37, which total £1,142.24. It says that Miss C's household headroom (which is her income less expenditure) was £584.76, which demonstrated that she had sufficient headroom to comfortably afford the loan that she was asking for.

The monthly payment under the hire purchase agreement was £345, so after deducting that amount from the household headroom, Miss C would have been left with a monthly disposable income of £239.24. Miss C was committing in the hire purchase agreement to make that payment each month for five years. I don't consider that a monthly disposable income of £239.24 would have been enough for Miss C to be able to pay the other expenditure that she was likely to incur. I'm not persuaded that the hire purchase agreement was sustainably affordable for Miss C at the time that she entered into it.

Advantage Finance says that Miss C had also been making payments of £240 each month under an existing hire purchase agreement, which would be replaced when it supplied the car to her, freeing up a further £240 each month. Advantage Finance's affordability assessment included existing credit commitments of £82.65, so I don't consider that the £240 payment under Miss C's existing hire purchase agreement was included in its calculation of household headroom. I also don't consider that ending that hire purchase agreement would be enough to show that the credit that Advantage Finance provided to Miss C was sustainably affordable for her.

The investigator reviewed the same credit file that Advantage Finance looked at and she described what it showed, including two defaulted communications accounts in April 2022, a history of defaults, and arrears on a utility account and shopping accounts. I consider that Advantage Finance should have been aware that there were signs of financial difficulty and that any further credit would likely be unaffordable and unsustainable for Miss C.

Advantage Finance says that Miss C paid flawlessly until March 2025 and that she voluntarily terminated the hire purchase agreement in May 2025. The complaint form that Miss C submitted to this service says that she doesn't believe that sufficient checks were completed into her financial situation and that the payments on the loan contributed greatly to her financial downfall. I'm considering whether or not Advantage Finance made a fair lending decision when it provided the credit to Miss C in October 2022. I consider that Advantage Finance had enough information about Miss C's financial situation to be able to conclude that the credit wouldn't be sustainably affordable for her and I don't consider that it's necessary for me to now consider what Miss C's bank statements would have shown about her financial situation. As I'm not persuaded that the hire purchase agreement was sustainably affordable for Miss C and that Advantage Finance should have been aware that there were signs of financial difficulty, I don't consider that Advantage Finance should have provided the credit to Miss C or that it made a fair lending decision.

Miss C was able to use the car for about 30 months and the investigator recommended that Miss C should pay £5,000 for her use of the car. Miss C has accepted the investigator's recommendation and I find that it would be fair and reasonable in these circumstances for

Advantage Finance to take the actions described below to put things right.

I've also considered whether Advantage Finance acted unfairly or unreasonably in some other way, including whether its relationship with Miss C might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Miss C's complaint for the reasons given above, I don't consider that I need to make a finding on that. I consider that the actions that I've described below result in fair compensation for Miss C in the circumstances of this complaint and I'm not persuaded that it would be fair or reasonable for me to require Advantage Finance to take any actions other than as described below.

Putting things right

The statement of account that Advantage Finance has provided shows that Miss C made 27 monthly payments of £345 to it, under the hire purchase agreement. I find that Advantage Finance should calculate how much Miss C has paid to it in total under the hire purchase agreement and that it should then refund the payments in excess of the £5,000 fair usage charge to Miss C. I find that it should also pay interest on the excess payments at an annual rate of 8% simple from the date of each excess payment until the date of settlement. Advantage Finance should also ensure that any adverse information about the hire purchase agreement that it's reported to the credit reference agencies is removed from Miss C's credit file. HM Revenue & Customs requires Advantage Finance to deduct tax from any interest to be paid to Miss C. Advantage Finance must give Miss C a certificate showing how much tax it's deducted if she asks it for one.

My final decision

My decision is that I uphold Miss C's complaint and order Advantage Finance Limited to take the actions described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 March 2026.

Jarrold Hastings
Ombudsman