

Complaint

Mr H complains that Secure Trust Bank Public Limited Company (trading as “Moneyway”) unfairly entered into a hire-purchase agreement with him. He’s said that the repayments to this agreement were unaffordable and so it shouldn’t have been provided to him.

Background

In August 2019, Moneyway provided Mr H with finance for a used car. The cash price of the vehicle was £15,300.00. Mr H paid a deposit of £2,000.00 and borrowed the remaining £13,300.00 he required for the purchase, by entering into a hire-purchase agreement with Moneyway.

The amount lent was £13,300.00 and the agreement had interest, fees and total charges of £8,155.80 (made up of interest of £8,145.80 and an option to purchase fee of £10). The balance to be repaid of £21,455.80 was due to be repaid by 59 monthly instalments of £357.43 followed by a final monthly instalment of £367.43.

Mr H complained that the agreement was unaffordable and so should never have been provided to him. Moneyway didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

Mr H’s complaint was considered by one of our investigators. She didn’t think that Moneyway had done anything wrong or treated Mr H unfairly. So she didn’t recommend that Mr H’s complaint should be upheld.

Mr H disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

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 Mr H’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr H’s complaint. I’d like to explain why in a little more detail.

I think that it would be helpful for me to set out that we consider what a firm did to check whether repayments to credit were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is a for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own meant that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances were we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr H's complaint.

Moneyway says it agreed to this application after Mr H provided details of his monthly income. It says it also carried out credit searches on Mr H which showed that he did have defaulted accounts recorded against him. However, it considered these to be historic as they were from 2016. Furthermore, it says when reasonable repayments to the total amount Mr H already owed plus a reasonable amount for his living expenses, calculated on statistical data, were deducted from his monthly income the monthly payments were affordable.

On the other hand, Mr H says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr H and Moneyway have said.

The first thing for me to say is that Moneyway didn't simply accept Mr H's declarations at face value as it carried out credit checks. It's fair to say that while Mr H had previously had difficulty repaying credit this was historic given it had been more than three years since any significant adverse information had been reported. Furthermore, what Moneyway saw on the credit check suggests that Mr H was managing his active credit reasonably well.

I know that Mr H has said that his income was lower than what he declared. However, given Moneyway's checks suggested that Mr H's declaration was plausible, I don't think that it was unreasonable for it to rely on this. This is particularly as Mr H paying a cash deposit of £2,000.00 was also supportive of this.

I know that Mr H says that he borrowed the funds for the deposit. But I can't see that he declared this to Moneyway. So I can't see how it would have known about this. Given the amount of Mr H's deposit, it's arguable that it was reasonable for Moneyway to rely on the mix of declared information and statistical data that it did.

In any event, I've not been provided with anything at all to support that fact that Moneyway carrying out further checks would have made a difference here. I say this because it seems to me that Mr H's actual living expenses were low. And when Mr H's committed regular living

expenses and existing credit commitments were deducted from the amount of his monthly income, he didn't have the funds to sustainably make the repayments due under this agreement.

In these circumstances, I've not been persuaded that proportionate checks would more likely than not have shown that the monthly payments on this agreement were as a matter of fact unaffordable for Mr H.

In reaching my conclusions, I've also considered whether the lending relationship between Moneyway and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Moneyway irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I acknowledge that it's arguable Moneyway's checks before entering into this hire-purchase agreement with Mr H may not have gone far enough, in any event, I've not been persuaded that Moneyway finding out more about Mr H's income and expenditure would have prevented it from providing these funds, or entering into this agreement with him.

As this is the case, I'm not upholding this complaint. I appreciate that this will be disappointing for Mr H. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 January 2026.

Jeshen Narayanan
Ombudsman