

The complaint

Miss H complains Specialist Motor Finance Limited (SMFL) failed to carry out adequate affordability checks prior to approving her for lending she says was unaffordable. Miss H also complains SMFL failed to take measures to alleviate her financial position when she missed payments.

Miss H is represented in this complaint by a professional representative but, for ease, I'll refer to Miss H directly throughout my decision.

What happened

In September 2021, Miss H acquired a car through a Hire Purchase Agreement (HPA) with SMFL. The cash price of the car was £6,750. Miss H paid a deposit of £238, with the remaining amount of £6,512 provided as credit through the agreement.

The agreement required Miss H to make 59 monthly repayments of £181.39, followed by one repayment of £191.39 on month 60.

Around May 2024, Miss H complained to SMFL that she'd experienced financial hardship as a result of them failing to carry out adequate affordability checks before lending to her. She also said that when she missed payments, SMFL failed to treat her with forbearance and consideration to help alleviate her financial position.

In September 2024, SMFL sent Miss H their final response letter, but they didn't uphold her complaint. In summary, SMFL said they'd completed adequate checks to assess Miss H's affordability to repay the loan and the information provided from those checks showed that the loan was affordable.

Miss H disagreed with SMFL's response, so she referred her complaint to our service.

One of our Investigators looked into things but said she didn't think SMFL had completed proportionate checks and that they should have queried Miss H's actual expenditure before deciding to lend to her.

Our Investigator went on to say had SMFL completed further checks, she thought they would've found the agreement to neither be affordable or sustainable for Miss H, so, she upheld the complaint.

Miss H accepted our Investigator's opinion, but SMFL didn't, saying the checks they'd completed had been proportionate and they didn't believe further checks were required based on what they found from the result of those checks.

Because our Investigator's opinion remained unchanged and no resolution could be reached, this case has been passed to me to decide.

I sent both Miss H and SMFL my provisional decision on 16 October 2025. I explained I'd reached a different outcome to that of our Investigator. In my provisional decision I said:

'How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Miss H's complaint. SMFL needed to ensure that 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 for her before agreeing to provide the credit.

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

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

- *Did SMFL complete reasonable and proportionate checks to satisfy themselves Miss H would be able to meet the repayments of the borrowing without experiencing significant adverse impact on her financial situation?*
- *If they did, was their decision to lend to Miss H fair?*
- *Did SMFL act unfairly or unreasonably in any other way?*

Did SMFL complete reasonable and proportionate affordability checks

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary depending 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 £11,131, with Miss H committing to make 59 monthly repayments of around £181, followed by a final repayment of around £191. So while the repayments here were relatively modest, this was still a lengthy credit commitment for someone to enter. So, my starting point is that I'd expect to see SMFL to have gained a good understanding of her circumstances at the time.

At the time of her application, Miss H declared her net monthly income as being £1,350, that she was employed, that she was single and that she was a tenant. I understand Miss H disputes having been employed by the company SMFL say was declared to them or ever having told them this information, but I have seen the application information recorded at the time and I'm satisfied this information was provided to them.

SMFL then went on to verify Miss H's declared income by using an external affordability tool provided by a credit reference agency (CRA), which confirmed the amount she'd declared could be matched against her current account turnover (CATO) data, and hadn't been overstated.

SMFL also completed a credit check to help them understand how Miss H managed both her current and existing finances.

The check showed SMFL Miss H held three loan accounts, two credit card accounts and three mail order shopping accounts, all of which looked to be in good standing with no sign of arrears or missed payments.

Miss H was also seen to hold one active current account on which she was utilising around 24% of her overdraft facility, and three utility and communications accounts, all of which again looked to be being managed well.

Miss H did have one further revolving credit account on which she could be seen to have missed or been late with one payment in the six months prior, however this could be seen to have been brought back into order the following month. I don't consider this missed payment alone to have given SMFL cause for concern.

Aside from Miss H's active credit accounts, SMFL saw she'd held two loan accounts, a mail order shopping account and five short-term pay day loans previously, in addition to a communications account, all of which had been settled and showed no signs of any issues with the repayment history.

While I can see Miss H had taken out some credit facilities in the months prior to the HPA in question, all the accounts looked to be being managed well or had already been settled and when considering her credit management as a whole, I don't think there was anything SMFL saw that ought to have raised their concerns.

From the credit check data SMFL obtained they could see Miss H had committed expenditure to her existing credit of around £137 a month. SMFL used this figure alongside statistical data to help them get a better understanding of expenditure for people similar to Miss H, estimating her outgoings towards her rent to be around £320 a month and a combined amount of around £490 towards other expenses such as cost of living, car insurance and travel costs.

Finally, SMFL added an additional buffer of £100 a month prior to estimating Miss H's disposable income to be around £303 a month.

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

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

Overall, I think SMFL 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 H.

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

Did SMFL make a fair lending decision?

SMFL verified Miss H's net monthly income and used a combination of her actual commitments to existing credit 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 SMFL I haven't seen anything to suggest the use of statistical data wasn't proportionate here.

After doing this, SMFL found Miss H had a likely monthly expenditure of around £947. Allowing for an additional buffer of £100, this left Miss H with a disposable monthly income of around £303.

I think this amount was reasonable for SMFL to have concluded the monthly commitment of

around £180 a month they went on to agree was both affordable and sustainable for Miss H.

I'm aware our investigator concluded Miss H's commitments to her existing credit ought to have been higher and while I can see the CRA data SMFL obtained didn't include a repayment towards Miss H's overdraft, I can see her overdrawn balance on the current account was relatively modest at the time. And I think SMFL's inclusion of a buffer to account for any additional expenses leads me to conclude had they included a minimal repayment towards this; they still could fairly have decided to have lent to Miss H.

Finally, I'm aware Miss H has provided copies of her statements, and our Investigator identified payments to short-term lending companies which formed part of why Miss H showed having essential expenditure which exceeded her income each month. But it's important to say here that I'm satisfied SMFL's checks were proportionate so I can't say they ought to have had reason to look deeper into Miss H's expenditure than they did. The additional repayments to short term credit seen on Miss H's bank account statements which our Investigator referred to, weren't showing on the credit reference data provided to SMFL.

So, in summary, as I've said, I'm satisfied SMFL'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 don't intend to uphold this complaint.

Did SMFL act unfairly or unreasonably in some other way?

Miss H initially appeared to maintain her agreement well, until she missed one payment in January 2023. I can see she informed SMFL she had an issue with her payroll at the time, and it was agreed she would make the repayment around two weeks later. However, Miss H actually brought her account back into order only a matter of days later.

So, from what I've seen, I've not seen anything to suggest SMFL treated Miss H unfairly or unreasonably in any other way prior to her raising her complaint.

But in August 2024, Miss H let SMFL know she was struggling financially due to a change in her personal circumstances. SMFL asked her to complete an income and expenditure so they could best assist her situation. Miss H told SMFL she didn't have the time there and then but that she would call back. I can't see Miss H went on to do this.

However, as it's clear they are aware Miss H experienced financial difficulties, should those financial difficulties remain, I'd remind them of their responsibility going forward to treat her with forbearance and due consideration.

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

However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.'

Miss H responded to say she disagreed SMFL had carried out reasonable and proportionate checks, or that they'd made a fair decision to lend to her.

Miss H said that SMFL's reliance on a declared income and the use of statistical data to estimate expenditure, failed to reflect her real financial position at the time which included regular usage of her overdraft, a reliance on payday and short-term loans and essential living costs that were considerably higher than the assumptions used. Miss H said had SMFL reviewed her bank account statements, it would have been clear her disposable

income was nowhere near the amount they'd estimated.

Miss H also disputed the accuracy of the employment details SMFL used, saying they'd not provided any evidence they'd verified the employer they say she'd declared, through either payslips or with the company directly.

Lastly, Miss H said the agreement quickly became unsustainable causing her to experience financial strain, to fall behind on essential bills and to end up in arrears. And that when she informed SMFL of her financial difficulties, the support they provided was minimal, offering her no meaningful forbearance.

SMFL responded to confirm they accept my provisional decision and had nothing further to add.

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've considered Miss H's response to my provisional decision carefully but, while I know this will come as a disappointment to her, I've seen no reason to reach a different outcome to the one I reached previously. I'll explain why.

But first, I'm aware I've summarised Miss H's response in less detail in parts than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. It may be that I've considered specific points already covered in my provisional decision. I'm satisfied I don't need to repeat or comment on every detail here, to be able to reach what I think is the right outcome, reasonable in the circumstances of this complaint.

I understand Miss H doesn't think SMFL's checks were reasonable or proportionate but for the reasons I've previously explained, I disagree.

SMFL verified Miss H's declared income which gave them confidence the figure provided had not been overstated. I acknowledge SMFL didn't request payslips or conduct further checks into Miss H's employment, but I don't think they needed to have.

I'm also satisfied it was reasonable for SMFL to have relied on statistical data to estimate her essential spending, alongside using her actual commitments to existing credit. I don't think anything SMFL saw meant they had reason to suspect her expenditure was significantly higher than the statistical data described.

While I do understand Miss H's bank account statements might've revealed a different picture, as I've previously explained, I don't think anything SMFL saw as a result of the checks they carried out, meant they needed to have looked deeper into Miss H's finances.

Finally, I previously said while I could see SMFL had asked Miss H to complete an income and expenditure after she'd advised them of her financial difficulties in August 2024, she didn't do this at the time, and nor could I see she'd gone on to do it. Miss H hasn't said anything to suggest differently.

Miss H has said SMFL failed to support her with any meaningful forbearance, but as I said,

the completion of an income and expenditure was to help SMFL to best assist her situation. Had she gone on to complete this, I would've expected them to treat her with forbearance, taking into consideration her circumstances at the time. But I've not seen anything to suggest she did so.

As I previously said, as it's clear SMFL are now aware Miss H experienced financial difficulties, should those financial difficulties remain and she reach out again for support, I'd remind them of their responsibility going forward to treat her with forbearance and due consideration.

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 H to accept or reject my decision before 5 December 2025.

Sean Pyke-Milne
Ombudsman