

The complaint

Ms C complains that a hire purchase agreement with Advantage Finance Limited, under which a car was supplied to her, wasn't affordable for her. She's being represented in her complaint by a legal adviser.

What happened

A used car was supplied to Ms C under a hire purchase agreement with Advantage Finance that she electronically signed in May 2019. The price of the car was £8,188 and Ms C agreed to make 44 monthly payments of £308.59 and a final payment of £508.59 to Advantage Finance. The agreement was settled in January 2024, but Ms C's representative complained to Advantage Finance about the loan in February 2025.

Advantage Finance said that it was satisfied that the loan was affordable at the time that Miss C took it out and that it had found no evidence that would suggest it lent to her irresponsibly. Ms C wasn't satisfied with its response, so a complaint about the affordability of the loan and the commission that Advantage Finance had paid to the dealer was referred to this service. The complaint about the commission is being dealt with separately.

Ms C's complaint about the affordability of the loan was looked at by one of this service's investigators who initially didn't think that Advantage Finance needed to take any action, but Ms C's representative provided further information and the investigator, having considered everything, then thought that Ms C's complaint should be upheld. He recommended that Advantage Finance should: refund any payments made towards the agreement in excess of £8,188, with interest; and remove any adverse information recorded on Ms C's credit file regarding the agreement.

Ms C's representative says that it doesn't agree with the investigator's view on proportionate checks as it has provided evidence to prove that they weren't completed, but that it agrees that the finance wasn't affordable, so Ms C accepts his recommendation to uphold the complaint. Advantage Finance says that it disagrees with the investigator's recommendation and believes that it's inconsistent with the evidence available and established regulatory guidance and has requested that this matter be reviewed again, so I've been asked to issue a decision on this complaint.

Advantage Finance has provided a detailed response to the investigator's recommendation. It says, in summary and amongst other things, that:

- it disagrees with the assertion that a disposable income of £486 rendered the agreement unaffordable;
- the investigator's recommendation is based on subjective interpretation rather than actual evidence, has been made without access to Ms C's bank statements or verified expenditure data, and an affordability conclusion can't reasonably be reached without Ms C providing evidence such as bank statements;
- the investigator has acknowledged that its affordability checks were reasonable and proportionate, so it's inconsistent to then conclude that the agreement shouldn't have been approved; and
- the agreement was entered into in 2019, when the cost of living was significantly

different to the present day and Ms C's monthly disposable income at that time would have provided a reasonable financial buffer, and there was nothing to suggest that Ms C was unable to maintain the proposed repayments.

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.

Ms C applied to Advantage Finance for credit to pay for a car to be supplied to her in May 2019. It says that the relevant checks were then completed and Ms C's income was successfully verified at around £1,500 each month by a current account turnover check. It says that it carried out an affordability assessment using statistical data available from a variety of official sources for Ms C's expenditure and that it made a search of Ms C's credit file.

Advantage Finance was required to make reasonable and proportionate checks to ensure that any credit to be provided to Ms C was sustainably affordable for her, before entering into the hire purchase agreement. The amount of credit being provided to Ms C was £8,188, repayable over 44 months by monthly payments of £308.59. Advantage Finance had verified Ms C's income, searched her credit file and carried out an affordability assessment using estimates of her expenditure. I consider that those checks were reasonable and proportionate in the circumstances of the credit for which Ms C had applied and I'm not persuaded that Advantage Finance was required to make any further checks or to have obtained a more detailed understanding of her financial situation.

Advantage Finance says it conducted a capacity check using £500 each month for Ms C's rent, £101 each month for her utilities and £100.35 each month for her council tax, which left her with £701.35 from her income of £1,500. It says that the maximum monthly payment that she could afford was £312.64 which would have left her with headroom of £486.01 to cover other household expenses.

That capacity check only included an estimate of Ms C's rent, utilities and council tax. It didn't take into account her other essential living costs including food, car maintenance, insurances and fuel or her monthly payments on any existing credit commitments. I consider that any affordability assessment conducted by Advantage Finance should also have included an estimate for Ms C's living costs and, only after they'd been included, would it have had an estimate of her disposable income.

A monthly disposable income of £486.01 may have been enough for the hire purchase agreement to have been sustainably affordable for Ms C, but I don't consider that Advantage Finance's capacity check properly calculated Ms C's disposable income. If Advantage Finance had included a reasonable estimate of Ms C's living costs in its calculations, I consider that it would have identified that her monthly disposable income, after making the payment under the hire purchase agreement, was significantly less than £486.01 and that it's more likely than not that it would have identified that the hire purchase agreement wasn't sustainably affordable for Ms C.

I have to decide whether or not Advantage Finance made a fair lending decision when it provided the credit to Ms C in May 2019. As I don't consider that its affordability assessment included a reasonable estimate of Ms C's living costs, I don't consider that it made a fair lending decision and I don't consider that it should have provided the credit to Ms C. I don't consider that I need to review copies of Ms C's bank statements and it wouldn't be consistent with my conclusion that Advantage Finance's checks were reasonable and proportionate for me then to review other information about Ms C's financial situation at that

time.

The hire purchase agreement was settled in January 2024, but as I don't consider that Advantage Finance should have provided the credit to Ms C, I don't consider that it's fair or reasonable for it to have charged any interest or fees under the hire purchase agreement. 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 Ms C might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Ms 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 Ms 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

I consider that Ms C should only have to pay the price of the car, which was £8,188, and that anything that she's paid in excess of that should be refunded to her as an overpayment. I find that it would be fair and reasonable in these circumstances for Advantage Finance to refund to Ms C any payments that she made to it under the hire purchase agreement that exceed £8,188, with interest at an annual rate of 8% simple from the date of each overpayment to the date of settlement. HM Revenue & Customs requires Advantage Finance to deduct tax from that interest payment. Advantage Finance must give Ms C a certificate showing how much tax it's deducted if she asks it for one.

The investigator also said that Advantage Finance should remove any adverse information recorded on Ms C's credit file regarding the agreement. I've seen no evidence to show that Advantage Finance has reported any adverse information about the hire purchase agreement to the credit reference agencies but, if it has done so, I find that it should ensure that the information is removed from Ms C's credit file.

My final decision

My decision is that I uphold Ms 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 Ms C to accept or reject my decision before 3 March 2026.

Jarrold Hastings
Ombudsman