

## The complaint

Mr G complains that Specialist Motor Finance Limited (“SMF”) irresponsibly gave him a hire purchase agreement he couldn’t afford to repay.

## What happened

In October 2018, Mr G acquired a used car financed by a hire purchase agreement from SMF. The cash price of the car was £19,595. Mr G paid a cash deposit of £1,903 and the rest was financed by the hire purchase agreement. He was required to pay 59 monthly repayments of £451.08, followed by a final optional payment of £461.08 if he wanted to take ownership of the car.

In June 2024, Mr G complained to SMF to say the agreement had been unaffordable to him from the outset and SMF shouldn’t have lent to him. SMF didn’t think it had acted unfairly in lending to Mr G. It said it had completed appropriate affordability checks which didn’t reveal any concerns about his ability to repay the borrowing.

I sent Mr G and SMF my provisional decision on 31 October 2025. I explained why I wasn’t planning to uphold the complaint. I said:

*Before lending to Mr G, SMF was required to carry out checks to ensure the borrowing was likely to be affordable to him. The regulator’s rules and guidance in place at the time said that any checks SMF chose to carry out needed to be proportionate to the specific circumstances of the lending decision. This means that in certain circumstances the checks might need to be more thorough than in others. In deciding what might be proportionate, SMF needed to take into account things such as (but not limited to): the amount borrowed, the size of any deposit, the size of the regular repayments, the term, the cost of borrowing and Mr G’s circumstances.*

*As part of the application Mr G declared he was employed full time and earning around £3,300 per month. SMF said it used credit reference agency data to validate this income. SMF completed a credit check which showed no recent adverse information and that Mr G had maintained all of his credit commitments. It says it also estimated his monthly essential living costs at £322.19 using statistical data. In addition, it says it factored in the relatively large cash deposit of nearly £2,000 that Mr G paid to enter into the agreement. Based on these checks it says the lending appeared to be affordable.*

*SMF’s credit checks showed that Mr G held a current account, a mortgage, a secured loan, four unsecured loans, three credit cards, a mail order account and three communications accounts. Mr G’s monthly unsecured credit commitments were around £550. It was unclear from the credit check how much he was regularly paying towards the three communications accounts. The mortgage and secured loan combined were £1,664 per month, but these were joint accounts.*

*It’s not entirely clear whether SMF used the full monthly repayment amounts for these two joint accounts in its affordability calculations. However, even if it did, it*

would show that Mr G's monthly credit commitments and estimated living costs came to around £2,536. When the new hire purchase monthly repayment of £451 was added, this would still have left Mr G with around £300 in disposable income each month out of his declared income.

*I can understand why SMF took some comfort from the relatively sizeable cash deposit Mr G paid as this would also have demonstrated that Mr G was unlikely to have been stretching his finances too far. The credit check also didn't reveal any recent borrowing that Mr G had taken out to give any indication that his circumstances had recently changed or that he was reliant on unsecured credit.*

*Further, SMF's credit checks also revealed that Mr G's wife (with whom he held a financial association, and why some of her details were therefore visible in the checks SMF carried out) was also maintaining her own credit commitments. SMF has said this suggested she was also earning an income and therefore likely contributing to joint household costs and credit commitments. I can understand why this too gave SMF some assurances about the likely affordability of the hire purchase agreement, as it wasn't necessarily unreasonable to conclude that Mr G's wife would be contributing to the mortgage and secured loan. This would have increased Mr G's disposable income even further.*

*Having said this, the repayment towards the new hire purchase agreement would mean that Mr G's monthly unsecured credit commitments would exceed a third of his income. This was a sizeable amount. Also, SMF didn't know whether Mr G's wife did contribute towards the mortgage and secured loan as it hadn't specifically asked. It also had no understanding how much Mr G was paying towards the three communications accounts. It was possible that the new hire purchase agreement could have pushed Mr G's finances to stretching point.*

*I accept it is debatable whether SMF's affordability checks went far enough and were proportionate in the specific circumstances of this case. Whether I think SMF ought to have done more or not, I don't think it ultimately makes any material difference to the overall outcome I've provisionally reached.*

*I say this because even if I thought SMF's checks didn't go far enough, I've not seen anything to persuade me that more detailed checks ought to have led to a different lending decision.*

*Mr G has maintained that between him and his wife they only held one current account at the time he applied for this agreement. SMF has provided evidence which demonstrates that at the very least Mr G's wife held one other current account. Further, it has shown that numerous credit commitments held by Mr G's wife were paid on time for many months in the lead up to the hire purchase agreement being taken out. However, I've seen no evidence of those payments leaving the joint account for which Mr G has provided us bank statements for.*

*We've asked Mr G about this and he says his wife only started using another account some time after the hire purchase agreement was taken out. He says the additional credit commitments SMF referred to are with debt recovery companies which is why they are not showing on the statements he's shared with us.*

*I've thought about what Mr G has said, but his explanation doesn't correlate with the available evidence. The current account in his wife's name had been opened in 2006, so had been in use for over a decade prior to Mr G entering into the hire purchase agreement.*

*Although the debts he references might have at some later time been referred to debt recovery firms, they were not at the time he applied for the hire purchase agreement. The credit checks show these agreements were live and had been paid on time and maintained correctly for many months, yet I've seen no evidence these were being paid from the joint current account. I can only reasonably conclude they must have been repaid from a different account.*

*This means I'm not persuaded that I've been presented with a complete picture of Mr G's household finances from around the time of the lending decision. Without this, I can't fairly say that more detailed affordability checks would most likely have revealed any concerns about Mr G's ability to sustainably repay the borrowing. This also means that it wouldn't be reasonable for me to conclude that SMF made an unfair lending decision.*

SMF had no further comments or evidence to provide. Mr G disagreed with the provisional decision. He provided numerous additional documents and comments in response. In summary, he said:

- The other current account in his wife's name had not been used for many years prior to the application. Mr G provided copies of statements to evidence this.
- The joint account bank statements previously provided show that all debts in Mr G's wife's name were being paid from that account. He provided copies of his and his wife's credit files to show the names of all the creditors and that these all appeared on the joint account bank statements.
- It was incorrect to say that SMF's credit checks didn't show any adverse information recorded when one of the debts was listed as 'debt assigned' and that their joint mortgage was showing as in a payment arrangement for the past 15 months.
- Mr G didn't agree he had declared an income figure of £3,300 on the application. He said his net income was typically between £2,400 and £2,700 per month. Appropriate affordability checks would have shown that their household expenditure exceeded their income.

### **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, I've reached the same outcome I reached in my provisional decision and for broadly the same reasons. However, I'll address the additional points and evidence Mr G has provided and explain why they don't change my view on what a fair and reasonable outcome should be.

I said in my provisional decision that it was debatable whether SMF's affordability checks were reasonable and proportionate. In other words, it is far from clear cut that in the specific circumstances of this case that they should have done more. However, even if I was to find that the checks were not proportionate, I'm not persuaded that proportionate checks ought to have likely led to a different lending decision anyway.

I say this because I think at most SMF might have needed to seek further clarification from Mr G about his essential expenditure (rather than relying on statistical data) and have asked what proportion of the joint credit commitments he was responsible for. SMF had already used data from credit reference agencies to verify the income stated on the application form

which had indicated £3,300 per month was realistic so I don't think it needed to do more there.

I accept, having reviewed Mr G's bank statements that his regular income from his full time employment at the time appeared to be around £2,500 per month. However, I don't think SMF would have reasonably found this out. The declared income on the application was £3,300 (whether by Mr G or someone else on his behalf) and the income check SMF completed confirmed this to be accurate. Mr G has confirmed his income fluctuated when he worked overtime and I've seen large cash deposits being made into the account (separate to the insurance claim payout he has previously referred to). Overall, I can't see any reason why SMF ought to have questioned the income stated on the application.

I don't consider SMF needed to carry out a review of Mr G's bank statements, I think that would have been disproportionate in the circumstances of the lending decision here, particularly given that Mr G appeared to have a reasonable income, appeared to be managing his existing credit commitments well and it appeared someone else was contributing towards some of those credit commitments and household expenditure.

Mr G has said SMF's credit checks revealed recent affordability concerns with other credit. However, I disagree, as the information Mr G has referred to has been misinterpreted. The reference to 'debt assigned' was to a historic debt that was already showing as fully satisfied and closed in 2016 with a zero balance. The reference to '15 payments' in relation to the mortgage was highlighting that it had been 15 months since the last time any adverse entry had been recorded against that debt. So, I'm satisfied there were no recent adverse entries which SMF ought to have been concerned about.

Mr G has provided persuasive evidence to indicate his wife was not working at that time and the other current account in her name was not being used. Further, the joint current account statements do suggest all of the essential household expenditure was paid for through that account. While it hasn't been straightforward to identify exactly which credit commitments were paid from the joint account (given how much time has passed since the lending decision and the nature of the evidence available) I've been able to see that most of Mr G's and his wife's credit commitments did debit that account. However, there were at least two credit commitments from SMF's checks and from the credit files Mr G has provided that I haven't been able to identify in the statements.

In any event, I don't think that makes any material difference to the outcome here. The issue for me to decide is what do I think proportionate affordability checks would likely have shown to SMF. As I've said, I think at most, it needed to find out from Mr G what his committed essential expenditure was, rather than relying on statistical estimates. I think it might also have needed to establish what his contribution was to the joint mortgage and joint secured loan.

I can't know for certain what Mr G would have disclosed about his essential expenditure or his contribution towards the mortgage and secured loan. However, on the balance of probabilities, I find it unlikely he would have revealed information to SMF that would have led it not to lend to him.

I say this for a number of reasons, but particularly because Mr G always had the intention to acquire the car using finance. If he didn't, he wouldn't have sought funding for it. Mr G himself has said that the reason for the purchase of the car "*became urgent after our previous car (also a 7-seater) was written off*". So, it seems Mr G needed a car urgently and was seeking out a way to acquire it. I'm not persuaded he would have willingly led SMF to believe he couldn't afford the repayments if more questions had been asked of him given the urgent requirement for acquiring a car.

I'm also mindful that as part of the application Mr G's income was stated as £3,300 (a figure which was higher than his regular employed income). Mr G says he did not state this amount and that it was wholly inaccurate, but I fail to see how else that figure came to be on the application. I note from another complaint Mr G raised with our service (against a different car finance lender) that an income of a similar amount was input on an application while he was in the same role with the same employer. I therefore find it likely, on balance, that he did declare that income. This is because it seems unlikely two different and unconnected car finance companies input a very similar incorrect income amount on two applications several years apart.

This means I think it's more likely than not that either Mr G's income was actually the amount he stated, or he declared an incorrect amount. If it is the former, then I'm still not satisfied that I've been presented with a complete enough picture of Mr G's financial circumstances. This means I can't fairly say SMF made an unfair lending decision as I can't be sure what it is more likely than not to have found out if it had completed more detailed checks. If, however, the latter was true, given this discrepancy with his declared income, I'm not persuaded further questioning of Mr G's expenditure by SMF would likely have revealed any affordability concerns. This is because it is difficult for me to reasonably conclude that it is more likely than not that Mr G would have provided further information to show that the monthly payments were unaffordable for him.

Taking everything into account, I'm not persuaded that SMF made an unfair lending decision in the specific circumstances of this case. I therefore don't think it needs to do anything to put things right. I understand Mr G says he is struggling to repay the outstanding balance, and I remind SMF of its obligations to treat him fairly with any financial difficulty he might be facing.

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

However, for the reasons I've explained, I don't think SMF irresponsibly lent to Mr G or otherwise treated him/her 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.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 February 2026.

Tero Hiltunen  
**Ombudsman**