

The complaint

STARTLINE MOTOR FINANCE LIMITED ('Startline') provided Miss S with a hire purchase agreement in 2023. The car price was £19,949. Miss S paid a deposit of £1,500 and so she borrowed £18,449. Miss S' monthly repayments over the 55 month term were about £550. She would need to repay a total of £32,329.04. Miss S says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

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 considered everything, I'm upholding Miss S' complaint. I'll explain my reasoning below:

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Miss S' case.

I've decided the credit wasn't provided fairly because:

- I don't think the checks Startline did before providing the credit were reasonable and proportionate given the monthly repayments and what it knew about Miss S' financial situation. I think this is because it didn't properly consider the information it had.
- If Startline had looked in more detail at what it had, I think it should have seen it was unfair to provide the credit to Miss S. Whilst I've noted our Investigators and Startline's calculations about her income and expenditure I don't think these are as relevant as the information Startline had that showed Miss S was already in financial difficulty.
- Startline did have access to some of Miss S' credit records. Miss S had recently defaulted on some credit, this was in April 2023 which was only five months before the hire purchase. I don't think it's reasonable to say this was historic. Added to this, her bank statements showed that she was regularly missing and making late payments to her credit and some utility bills. She was using her overdraft significantly and she was also using short term and high-cost credit. She had repaid two of this type of loan recently and she had taken one just before the lending.
- The consumer credit regulations ('CONC') say in CONC 1.3.1 that financial difficulty can be indicated where a consumer isn't repaying essential bills or is borrowing further to repay debts and so on. Which I think is the case here. And Startline had information that demonstrated this.

- I think there is enough here to say that Miss S was potentially in financial difficulty or not making ends meet. And I've borne in mind that the new lending was significant, the monthly repayments would add a large amount to her outgoings, and she was due to repay them over a long term.
- Startline has said that this is mitigated by Miss S' income being much higher than it used in its assessment. I think it's reasonable to say there is some conflicting information about how Startline assessed Miss S' income. The documentation it provided from the time of sale shows it used just over £2,000 a month. But it recently said it used a much higher amount than this. But the documentation about the loan doesn't say this. And Miss S' income situation seems complicated, being a mixture of employed and self-employed receipts. It's not clear to me exactly what she earned. But in any case, I don't think this detracts from the information Startline had about her existing credit, how she had been managing it and potential financial problems.
- Based on the information Miss S has provided about her circumstances at the time, I think Startline should have realised Miss S was likely to be unable to sustainably repay what she was being lent. And it's worth noting that Miss S struggled to repay the lending almost straight away.

This means I don't think Startline should have provided the hire purchase agreement to Miss S.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Miss S in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

I understand Startline terminated the hire purchase agreement and the car has been returned and sold. Miss S still owes an outstanding balance. To compensate Miss S, if it hasn't already done so, Startline should:

- End the agreement.
- Refund Miss S' deposit and all interest and charges applied to Miss S' account.

Startline should calculate how much Miss S would've owed, after the adjustments above. It should then deduct any repayments Miss S has paid since the account was opened.

If Miss S has paid more than the adjusted balance, then Startline should:

- Refund any surplus balance to Miss S.
- Apply 8% simple yearly interest on the refund, calculated from the date Miss S made the overpayments to the date of the refund[†].
- Remove all adverse entries relating to this agreement from Miss S' credit file.

However, if any outstanding balance remains, then Startline should:

- Arrange an affordable repayment plan with Miss S, while taking into consideration the regulatory requirements to treat consumers in financial difficulties with forbearance and due consideration.

- When the debt has been fully repaid, remove all adverse entries relating to this agreement from Miss S' credit file.

†HM Revenue & Customs requires Startline to take off tax from this interest. Startline must give Miss S a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons I've explained, I uphold Miss S's complaint.

STARTLINE MOTOR FINANCE LIMITED should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 18 February 2026.

Andy Burlinson
Ombudsman