

The complaint

Mr A has complained that Specialist Motor Finance Limited (SMF) unfairly provided him with credit for a car.

What happened

In November 2019, Mr A entered into a finance agreement with SMF for the purchase of a car as shown below.

Date	Amount of credit	Term	Monthly payment	Total repayable
11 November 2019	£6,771.00	52 months	£219.94	£11,436.88

In December 2024, Mr A complained to SMF with the help of a professional representative. In the complaint, Mr A said he didn't think SMF had lent responsibly to him. He felt it had failed to undertake a reasonable assessment of his creditworthiness at the time of the lending. He's said had SMF completed the appropriate checks it would have found the lending was unaffordable for him.

SMF looked into Mr A's complaint and issued a final response letter explaining it believed it had acted fairly in providing the credit. SMF provided a summary of the checks it had conducted and felt the agreement was affordable for Mr A. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies held about him, verifying what his income was and using a combination of data from the Office for National Statistics (ONS) and credit reference agencies to establish what Mr A's disposable income was.

It also explained that although Mr A didn't have a perfect payment history, he had completed payments to the agreement within the term and retained the car. It did note that there was around £440 in charges for late payments yet to be paid by Mr A.

Mr A didn't accept SMF's response, so he referred his complaint to our service with the help of his representative. Our investigators looked into it, and based on the evidence available, they said they didn't think SMF's decision to lend was fair given what SMF knew about Mr A's credit history.

SMF said that it factored Mr A's poor credit history into its lending decision but ultimately believed on the information it gathered that Mr A could afford the agreement. So, it didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me for a 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 done that, I issued a provisional decision saying:

“I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- *Did SMF carry out reasonable and proportionate checks to satisfy itself that Mr A was able to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did SMF make a fair lending decision?*
- *Did SMF act unfairly or unreasonably towards Mr A in some other way?*

SMF had to carry out reasonable and proportionate checks to satisfy itself that Mr A would be able to repay the credit sustainably. SMF needed to assess the likelihood of Mr A being able to repay the credit, as well as considering the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the cost of the credit.

SMF has explained that it carried out a credit search to get an understanding of Mr A’s situation before it decided to lend to him. It’s provided a copy of the credit search it undertook, and this shows that Mr A had defaulted on an overdraft eight months before the application and in the months prior to the lending Mr A had been late with a couple of payments to other creditors. The credit information also showed he’d recently utilised short-term lending.

SMF has shown that it verified Mr A’s annual income was around £31,000, using information from the credit reference agencies and used the same source to understand his repayments to other debts. It applied estimates for Mr A’s regular living expenses using ONS data and based on the calculations SMF used it found Mr A had a reasonable disposable income to afford the lending and be left with a reasonable amount for unexpected costs. This is an approach it’s allowed to take under the relevant lending rules. And usually, I would be satisfied that this was a proportionate check. But in this case SMF says Mr A had received a default 8 months before this application, had recent late payments and the presence of short-term lending within the last three months. Given the apparent affordability of the agreement, I don’t think this was enough for SMF to refuse to lend. However, I think it would have been reasonable for SMF to get a more detailed picture of Mr A’s expenditure.

There are a number of ways it could have done this, but for the avoidance of doubt, I’m not making a finding here that SMF needed to see Mr A’s statements in order to complete its own income and expenditure assessment. Rather I think it needed to accurately establish Mr A’s regular essential expenditure. That said in the absence of any other evidence, I think it’s reasonable to rely on the bank statements Mr A has provided to establish what SMF would likely have found had it asked Mr A more questions about his finances.

Having considered the statements I can see that Mr A’s income and expenditure broadly aligned with SMF’s calculations and indeed in some instances SMF’s figures allowed for higher costs than Mr A actually had. It’s evident he transferred significant sums to a prepaid card and made a number of discretionary transactions on the account. I can also see Mr A was paid weekly. So, although there were some returned direct debits showing on the

statements, and Mr A had recently made late payments to other creditors, I think these were as a result of how Mr A chose to manage his money rather than because he was in financial difficulty.

I've thought carefully about whether the short-term lending Mr A had recently taken demonstrated financial difficulties on Mr A's part. Whilst short term lending can indicate this, having reviewed the statements, I don't agree this was the case here. It is clear Mr A had utilised short-term loans. But I think this was likely to do with money management and I can't see from the evidence available that he was dependent on them or that they were the cause of, or needed, because of any ongoing financial difficulties.

As I've already said I don't think SMF needed to see Mr A's statements, but it needed to understand his expenditure. However, I can see from the statements, that even after taking into account Mr A's portion of essential living costs and expenditure on other debt (including the short-term lending), Mr A would have been left with enough disposable income a month to afford the new agreement and the other associated costs of running a car. So, I think had SMF got a more detailed picture of Mr A's circumstances it wouldn't have found that he was in financial difficulties or that the lending was unaffordable.

Overall, I think SMF's checks should have gone further here. But based on the information now available, I'm not satisfied the decision to approve the lending was unreasonable.

I can see that Mr A maintained the agreement in full and on time until May 2022. After this point payments became less regular and in September 2022 Mr A contacted SMF to let it know that the delays in payment were because of time off work due to a bereavement. At this point SMF worked with Mr A to complete an income and expenditure to ensure the revised agreement remained affordable, allowing Mr A to eventually settle the agreement within the initial timeframe set out. This is in line with the kind of support I'd expect to see where someone is in financial difficulties due to a change in circumstances. So, I haven't seen anything to suggest SMF treated Mr A unfairly throughout the life of the agreement either.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. But overall, it's not clear enough to me that SMF created unfairness in its relationship with Mr A by lending to him irresponsibly, or in the way it handled the account under the credit agreement. And I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm very sorry to disappoint Mr A, but for the reasons set out, I don't find that Mr A's relationship with SMF was unfair, and I can't conclude SMF treated him unfairly in any other way based on what I've seen."

Both parties acknowledged receipt of the provisional decision but didn't provide any further comments. So, in the absence of any new evidence, I see no reason to depart from my findings here.

My final decision

My final decision is that I don't uphold this complaint for the reasons set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 March 2026.

Charlotte Roberts
Ombudsman