

The complaint

Ms K has complained that Specialist Motor Finance Limited (SMF) unfairly provided her with credit for a car.

What happened

In October 2023, Ms K 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 (including deposit)
October 2023	£11,985.00	60 months	£390	£23,675

In October 2024, Ms K complained to SMF saying she didn't think it had lent to her responsibly. She felt it had failed to undertake a reasonable assessment of whether the credit was affordable to her at the time of the lending. Ms K said she was vulnerable at the time of the lending and had SMF completed the appropriate checks it would have found the agreement was unsuitable for her and that this led to an unfair relationship.

SMF looked into Ms K's complaint and issued a final response letter explaining it believed it had acted fairly when completing its checks. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies held about Ms K, asking her about her income, and using information from the Office for National Statistics to estimate her expenditure. SMF has said based on the information it found, it believes its decision to lend was fair.

Ms K didn't accept SMF's response, so she referred her complaint to our service. One of our investigators looked into it, and based on the evidence available, our investigator said they didn't think SMF's decision to lend was unfair.

Ms K didn't accept what our investigator said, she felt her bank statements showed the lending was unaffordable and explained she was vulnerable at the time. So, she asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me to decide.

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 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 Ms K 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 Ms K in some other way?

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

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, the cost of the credit and the customer's circumstances. The regulations also set out that a lender should establish and verify a customer's income and take steps to establish or make a reasonable estimate of a customer's non-discretionary expenditure. So, I've taken this into account when considering the case.

SMF has said Ms K told it her monthly income was £2,832 and it was able to verify this through the credit reference agencies. I can see that Ms K's earnings were in line with what had been declared. This is a reasonable check, and I don't think there was anything to suggest that SMF needed to do anything further here.

SMF applied estimates for Ms K's regular living expenses using nationally recognised statistics based on national averages. This is an approach it's allowed to take under the relevant lending rules. However, where there is other information that indicates a customer might be struggling, we may expect checks in relation to expenditure to go further. In this case SMF's calculations using this data (including sums for rent and other living costs), Ms K's credit commitments, and the information it gathered about her income, showed that the lending was affordable.

However, SMF has also provided a copy of the credit search it undertook. This shows Ms K didn't have any recent adverse markers on her credit file and that she was managing her credit well at that time. However, in the last 12 months Ms K had defaulted on one account and had missed payments and paid late on another. Additionally, it shows that in the last five months Ms K had taken out another hire purchase agreement, and two loans. This information suggests that Ms K may have been becoming reliant on credit. So, I think it would have been reasonable for SMF to find out more about Ms K's financial circumstances before lending.

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 Ms K's statements in order to lend to her. Rather I think it needed to ask her for more information about her financial circumstances. That said Ms K has been able to provide this service with copy bank statements from the time of the lending. In the absence of any other evidence, I think it's reasonable to rely on these to establish what SMF would likely have found had it asked Ms K more questions about her finances.

Having reviewed the statements and taking account of the income into Ms K's account, the essential committed expenditure shown in the statements, and repayments to this agreement, she appears to be left with a reasonable disposable income. So, had SMF done further checks to establish Ms K's income and expenditure, I think it would have reasonably concluded the agreement was sustainably affordable for Ms K.

Ms K has disclosed some sensitive information about her circumstances at the time and made further comments on why, from the information contained within her bank statements, SMF should have known the lending wasn't sustainable.

I want to reassure Ms K I have carefully considered her further comments and what she has said about her circumstances around the time of the lending. I'm truly sorry to hear how difficult things have been for her. However, I must consider what SMF would reasonably have been aware of at the time and whilst I don't doubt what she has said, I haven't seen anything that persuades me it should have known about the difficulties Ms K was having. I'm also not satisfied that the only reasonable way to assess Ms K's affordability would have been for SMF to have reviewed her bank statements.

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

I can see that Ms K maintained the agreement for a while but by the time of the complaint she had fallen behind with payments. It appears she told SMF this was due to a change in circumstances and that the issues would be short term. As a result, SMF agreed a repayment plan and has provided details of how Ms K can get in touch with it if there are problems with this. It's also provided the details of other independent organisations that may be able to help her with any financial difficulties she may be having. This is broadly in line with what I would expect to see where someone falls into payment difficulties. So, I haven't seen anything here to suggest SMF treated Ms K unfairly throughout the life of the agreement.

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 Ms K by lending to her 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 Ms K, but for the reasons set out, I don't find that Ms K's relationship with SMF was unfair, and I can't conclude SMF treated her unfairly in any other way based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 9 April 2026.

Charlotte Roberts
Ombudsman