

The complaint

Mr C is complaining that Specialist Motor Finance Limited (SMFL) acted irresponsibly in lending to him – he says the agreement was unaffordable. Mr C's complaint has been handled by a representative, but for ease I've written as if we've dealt with him directly throughout.

What happened

In November 2018, Mr C took out a hire purchase agreement with SMFL to finance the purchase of a car. He paid a deposit of £700 and borrowed £10,795 over a 48-month term, with monthly repayments of around £360. He made all his repayments on time, settling the agreement in November 2022.

In September 2024 Mr C complained to SMFL. He said he was relying on payday loans at the time to make ends meet and the car loan made things worse.

SMFL didn't uphold Mr C's complaint. They said he'd complained too late – though they later acknowledged this wasn't the case.

Mr C wasn't happy with SMFL's response, so he brought his complaint to our service where one of our investigators looked into it. Our investigator said Mr C's complaint should be upheld. In summary, he thought SMFL hadn't done enough to check the agreement would be affordable. And he said if they'd done more, they'd have found that it wouldn't be.

SMFL didn't accept our investigator's view. They said their checks had been reasonable and proportionate and Mr C's profile did not warrant a review of bank statements. They asked for an ombudsman's decision, and the complaint came to me. I issued a provisional decision explaining why I wasn't intending to uphold Mr C's complaint. In that, I said:

"SMFL verified Mr C's income using his payslips. And they used his credit file to estimate his spending on credit commitments, as well as reviewing his credit history. They estimated his other non-discretionary spending using statistical data. Whether or not these checks were enough depends on what the results showed.

I've looked at SMFL's copy of Mr C's credit file. It shows only three active accounts – a loan with less than one month left to run, an overdraft with a balance of £96, and a utilities account with nothing outstanding. All of these appeared to be up-to-date and within their limits, with no missed payments recorded. The credit file also showed Mr C had defaulted on a credit card account in 2015, with an outstanding balance of around £1,500 left to pay. Although a default can be a sign of financial difficulties, this one had been recorded over three years before Mr C's application.

The credit report also showed Mr C had around 20 short-term loans during the preceding six years, but the latest of these had been settled over a year before Mr C's application. I appreciate Mr C says he was relying on short-term lending at the time of his application to SMFL. But SMFL were entitled to rely on the credit file data they obtained, which didn't show any active or recent short-term lending. So there were no indications from the credit report that Mr C might be in current financial difficulties or over-indebted. On the contrary, he had little credit and was managing what he did have well.

Mr C's payslips show his net income was around £2,460 per month, and SMFL used a slightly lower figure. And the credit report shows he had limited credit commitments. SMFL said they estimated these at £221.30 per month. Deducting this and the amounts due under this agreement would have left Mr C with around £1,880 for his housing and other essential living expenses.

SMFL used statistical data to estimate what Mr C's essential living costs would be. The information they've provided isn't clear. They've told us they estimated his rent at around £115 per month and his cost of living at around £147 per month. But I can't see where these figures come from. And in my view, they're not reasonable figures. So, whilst CONC does allow a firm to use statistical data to estimate a customer's expenditure, I'm inclined to say it wasn't reasonable to use these particular figures – I think it ought to have been self-evident that these amounts weren't enough for a single adult to live on.

I do note that the underlying data provided to us suggests SMFL obtained an affordability assessment from one of the credit reference agencies and this determined that Mr C would have disposable income of £527 per month. But it's not clear how this was calculated or whether it was expected to be before or after the repayments for this agreement. Because of the lack of clarity in respect of Mr C's expenditure, I'm inclined to say the checks carried out by SMFL weren't reasonable and proportionate and they should have taken additional steps to understand his likely expenditure.

If SMFL had carried out reasonable and proportionate checks, what would they have found?

As I've set out above, SMFL verified Mr C's income and obtained external evidence of his credit commitments. I'm satisfied their estimate of £221.30 per month was at least enough to cover this. Whilst I can't say exactly what SMFL should have done in respect of Mr C's living costs, I don't think they would have needed to carry out an analysis of Mr C's bank statements. So, I've just looked at his housing costs and regular bills to gain an understanding of what SMFL would have likely found.

I can see Mr C's rent was £440 per month, and his utilities, council tax, and other regular direct debits came to around £560. Deducting these and the credit commitments figure from his income would have left him with around £880 per month to cover his other essential living costs and discretionary spending. I'm satisfied SMFL could have fairly decided this would be enough.

In summary, then, I'm inclined to say that SMFL's evidence in respect of Mr C's expenditure is unsatisfactory but if they had done more to understand his expenditure, SMFL would still have been able to decide the agreement would be affordable. And so I'm not inclined to say they shouldn't have lent to Mr C.

Did SMFL treat Mr C unfairly in any other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think SMFL lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here."

SMFL didn't reply to my provisional decision, but Mr C did. He said the bank statement evidence clearly demonstrated his sustained reliance on short-term and high-cost lending in the months leading up to the agreement.

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 not been persuaded to change my mind. Mr C said it was obvious from his bank statements that he was heavily reliant on short-term credit. And I appreciate that must have been difficult. But I can't say SMFL should have looked at Mr C's bank statements before agreeing to lend to him. And so I can't say they should have been aware of Mr C's financial circumstances. It was reasonable for SMFL to rely on their credit check. And, as I explained in my provisional decision, that credit check didn't suggest that Mr C was in financial difficulties. Finally, I'm satisfied that if SMFL had asked Mr C some more questions about his key living expenses, the information they'd have obtained would have suggested they'd be able to fairly decide to lend to him. So, while I appreciate it'll be disappointing for Mr C, I'm not upholding his complaint.

My final decision

As I've explained above, I'm not upholding Mr C's complaint about Specialist Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 March 2026.

Clare King
Ombudsman