

## **Complaint**

Miss W complains that Shogun Finance Limited (trading as “Shogun Financial” Services) unfairly entered into a hire-purchase agreement with her. She’s said the monthly payments to the agreement were unaffordable and so she shouldn’t have been accepted for it.

## **Background**

In February 2020, Shogun Financial provided Miss W with finance for a used car. The cash price of the vehicle was £5,200.00. Miss W paid a deposit of £262.80 and entered into a 60-month hire-purchase agreement with Shogun Financial for the remaining £4,937.20 she required.

The loan had interest, fees and total charges of £755 (made up of interest of £745 and an option fee to purchase fee of £10). So the balance to be repaid of £5,692.20 (not including Miss W’s deposit) was due to be repaid in 60 monthly instalments of £94.87.

Miss W’s complaint was considered by one of our investigators. He reached the conclusion that proportionate checks wouldn’t have shown Shogun Financial that it shouldn’t have entered into this agreement with Miss W. So he didn’t recommend that Miss W’s complaint should be upheld.

Miss W didn’t agree with our investigator and the complaint was passed to an ombudsman for a final decision.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss W’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss W’s complaint. I’d like to explain why in a little more detail.

Shogun Financial needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Shogun Financial needed to carry out proportionate checks to be able to understand whether Miss W could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Shogun Financial carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Shogun Financial has said that it obtained details of Miss W's employer and her income as well as carried out credit checks. These credit checks showed that Miss W didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") -recorded against her.

Miss W has said that she earned less than the amount Shogun Financial believed. However, Miss W declared that she earned £25,000.00 a year. It's unclear why Miss W made such a declaration if this wasn't her income or she didn't expect to receive this much. Nonetheless, as Miss W provided this declaration in the course of her finance application, I can only assume that she wanted the application assessed on the basis of this declaration.

Equally, Shogun Financial didn't just rely on what Miss W had stated about her income. It cross-checked Miss W's declaration against the amount of funds going into her bank account his month and this suggested that her declaration was plausible. It should also be noted that Miss W's deposit - equivalent to around three monthly payments - supported her having access to funds as well.

Bearing in mind what Shogun Financial knew about Miss W's cross-checked income, her existing indebtedness, the lack of adverse information and other credit in her name and the amount of the cash deposit she paid on this agreement, there is a reasonable argument for saying that Shogun Financial's checks before entering into this hire purchase agreement with Miss W were reasonable and proportionate. And as this information suggested that Miss W could afford to make these payments it was reasonable to lend to her.

For the sake of completeness, and in any event, I would add that even if it could be argued that Shogun Financial ought to have done more here, the absolute most I could expect it to have done was to find out more about Miss W's regular living expenses. Having reviewed the information Miss W has provided, it seems to me that when the identifiable actual payments Miss W was making towards her living costs are added to her active credit commitments and then deducted from her income, she, at the time at least, appears to have enough left over to make the repayments to this agreement.

I've noted that Miss W has now carried out a line-by-line analysis of her bank statements and has reached the view that she didn't have enough left over for emergencies once the payments to this agreement was deducted from her disposable income. The first thing for me to say is that Miss W's analysis has been carried out with the use of bank statements and this includes all of her major expenditure. So I'm not necessarily persuaded that the amount she now says she had left means that she shouldn't have been lent to.

I also have to keep in mind that Miss W's most recent submissions are being made in support of a claim for compensation and any explanations Miss W would have provided at the time are more likely to have been with a view to persuading Shogun Financial to lend, rather than highlighting any unaffordability.

Therefore, I think that it is unlikely – and certainly less likely than not – that Miss W would have volunteered that she shouldn't have been lent to as she wouldn't have enough to meet her existing commitments (including some that Shogun Financial couldn't possibly be expected to know about), had Shogun Financial asked or found out more about her regular living expenses. This is particularly as Shogun Financial wasn't required to request bank statements from her in the first place.

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

However, for the reasons I've explained, I'm currently minded to conclude that Shogun Financial did not irresponsibly lend to Miss W or otherwise treat 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.

Overall and having carefully considered everything, while it could be argued that Shogun Financial's checks were proportionate and the information showed that the repayments were affordable, in any event, I'm satisfied that Shogun Financial doing more here won't have stopped it from providing these funds, or entering into this agreement with Miss W. So I'm not upholding this complaint. I appreciate that this will be very disappointing for Miss W. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 5 May 2026.

Jeshen Narayanan  
**Ombudsman**