

The complaint

Mr W complains that Marsh Finance Ltd (“MFL”) was irresponsible when it provided him with a motor finance credit agreement.

What happened

Mr W entered into a car finance agreement in August 2021 for the purchase of a car. MFL provided finance for the total cost of the car - £14,916. Mr W was due to repay it within a 60-month term – 59 monthly instalments of £391.01 and a final instalment of £490.01.

When Mr W complained to MFL, it didn’t uphold his complaint. It said it carried out sufficient checks and those checks showed Mr W could afford the repayments. Unhappy with MFL’s response, Mr W referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

When our investigator looked into it, she thought MFL carried out reasonable checks and there was nothing within the results of those checks that suggested Mr W couldn’t afford to repay the credit.

Mr W disagreed, he said he was struggling financially at the time and his credit file showed he had County Court Judgements (CCJs) as he’d struggled to keep up with his previous car finance repayments. Mr W also says he’d been rejected by other creditors and MFL should also have rejected his application had it carried out reasonable checks.

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.

MFL will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We’ve set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don’t think it is necessary to set it all out in this decision.

In summary, MFL needed to ensure that Mr W could afford to make his repayments on the agreement when it fell due throughout the term of the agreement. The relevant rules and regulations don’t prescribe what checks need to be carried out, but the checks need to be reasonable – taking into account the specific circumstances of the consumer.

MFL has provided details of the checks it carried out before lending to Mr W. I can see it searched his credit file and has provided a summary of its findings showing Mr W passed its criteria. MFL also saw Mr W’s payslips and bank statements. I can also see it completed a validation call with Mr W before finalising the finance agreement.

In my opinion, I think the checks MFL carried out here were sufficient. I say this because this level of checks involving assessing bank statements and payslips gave MFL a good picture

of Mr W's overall financial circumstances.

I've thought about what these checks showed and from what I can see, there was nothing within the checks that suggested Mr W would struggle to make the repayments on the finance agreement at the time. Mr W's bank statements and payslips showed he was in employment with a regular income of around £1,632 (this is an average of Mr W's last three wages).

There was nothing in Mr W's bank statements that showed expenses or spending patterns of concern, neither did the statements show repayments towards credit that was concerning. From what I can see Mr W had low living costs – he declared he was single and living with parents at the time. On balance, I think MFL reasonably concluded Mr W could afford the repayment on the agreement due to what its reasonable checks showed.

Mr W has said his credit file was particularly concerning as he was struggling financially and had been turned down for credit by multiple lenders. While this may have been the case, this wasn't something that I can see was apparent to MFL from its reasonable checks at the time it made its lending decision. MFL wasn't required to carry out a credit search and if it did, it wasn't required to do so to any specific extent. I'm also mindful that MFL saw Mr W's bank statements which as I've stated above provides a reasonably reliable picture of Mr W's finances.

I understand Mr W feels strongly that he shouldn't have been granted this credit, he has also said he was vulnerable at the time of the credit agreement. I sympathise with Mr W as I can understand it was the easiest time.

When considering this complaint, I need to think about what MFL knew and what it should reasonably have known. The information I've seen shows MFL carried out reasonable checks in the circumstances and those checks didn't give an indication that Mr W was vulnerable at the time, and this wasn't something he told MFL. There was also no suggestion information that Mr W couldn't afford the repayments.

Mr W has continued to struggle to keep up with his repayments and an agreement has been reached for the car to be returned to MFL. I'd remind MFL of its obligation to treat Mr W fairly in financial difficulties. If there is a shortfall from the car and Mr W continues to struggle to pay. MFL should seek to agree a suitable repayment plan with Mr W in the circumstances.

While I appreciate my findings are likely to disappoint Mr W, I hope my explanation helps him understand why I've reached these conclusions.

My final decision

For the reasons given above, I don't uphold Mr W's complaint or make any award against Marsh Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 June 2024.

Oyetola Oduola
Ombudsman