

Complaint

Miss B complains that Secure Trust Bank Plc (trading as “Moneyway”) unfairly entered into a hire-purchase agreement with her.

She’s said she doesn’t think that enough checks were carried out to establish that the payments to the agreement were affordable for her.

Background

In July 2020, Moneyway provided Miss B with finance for a used car. The cash price of the vehicle was £14,990.00 and Miss B paid a deposit of £1,200.00 which came about as a result of her part exchanging the vehicle she already had. Miss B applied for a hire-purchase loan to cover the remaining £13,790.00.

The loan had interest, fees and total charges of £7,490.60 (comprising of interest of £7,480.60 and an option to purchase fee of £10), and the total amount to be repaid of £23,280.60 (minus Miss B’s deposit of £1,200.00) was due to be repaid in 59 monthly instalments of £354.51 and one final payment of £364.51.

In July 2022, Miss B complained that the payments to this hire purchase agreement were unaffordable and so the finance should never have been provided to her. Moneyway looked at the complaint and didn’t uphold the complaint. It said that the checks completed before the agreement was entered into confirmed that the finance was affordable and so it was reasonable to lend.

Miss B’s complaint was considered by one of our investigators. She didn’t think that Moneyway had done anything wrong or treated Miss B unfairly. So she didn’t recommend that Miss B’s complaint should be upheld. Miss B disagreed 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 B’s complaint.

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

Moneyway needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Moneyway needed to carry out proportionate checks to be able to understand whether Miss B could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Moneyway 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.

Moneyway says it agreed to this application after it completed an income and expenditure assessment on Miss B. During this assessment, Miss B provided details of her monthly income and payslips to verify what she'd declared.

Moneyway says it also carried out credit searches on Miss B which showed some outstanding balances. But when the amount Miss B already owed plus a reasonable amount for Miss B's living expenses were deducted from her monthly income the monthly payments were still affordable. On the other hand, Miss B says that these payments were unaffordable.

I've thought about what Miss B and Moneyway have said.

The first thing for me to say is that Moneyway gathered a significant amount of information from Miss B and didn't simply rely on what she said about her income and expenditure. And having looked at the information gathered, I don't think that there was anything in it that would indicate Miss B wasn't in a position to make the payments she was committing to.

I accept that the credit checks carried out did show that Miss B had had previous difficulties with credit in the form of defaulted accounts. However, the accounts were defaulted more than six years before this loan and the balances had been settled around five years before this application. Furthermore, Miss B had since taken out credit and this was being maintained well.

In these circumstances, I'm satisfied that the information obtained does appear to show that when Miss B's committed regular living expenses and existing credit commitments were deducted from her monthly income at the time, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement. And in these circumstances it wasn't unreasonable to proceed with the application.

Having carefully considered everything, I'm satisfied that Moneyway carried out reasonable and proportionate checks and there wasn't anything in the information gathered that ought reasonably to have stopped it from providing these funds, or entering into this agreement with Miss B.

I've also thought about what Miss B has said about the amount of interest charged on this agreement. However, I've looked at the agreement Miss B signed and it does set out the amount being lent, the total amount of interest and the monthly payments Miss B would have to make.

As the agreement was signed by Miss B, I can only assume that she was happy to proceed on the terms set out. And I can't agree that Miss B wasn't informed of the interest she had to pay or that Moneyway needs to take any action in relation to this matter at this stage.

Overall, I'm satisfied that Moneyway didn't act unfairly towards Miss B when it agreed to provide the funds and I'm not upholding Miss B's complaint. I appreciate that this will be very

disappointing for Miss B. 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

My final decision is that I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 18 October 2023.

Jeshen Narayanan
Ombudsman