

Complaint

Mr H complains that Metro Bank PLC unfairly brought about a hire-purchase agreement for him. He's said that the agreement was unaffordable for him and so shouldn't have been arranged.

The hire-purchase agreement was brought about by a brand, called "Ratesetter", which since Mr H's agreement was entered into has been taken over by Metro Bank PLC. For ease of reference, I'll refer to Ratesetter in this decision.

Background

In December 2017, Ratesetter operated the electronic platform in relation to lending which led to Mr H being provided with finance to purchase a used car. The cash price of the vehicle was £13,500.00. Mr H didn't pay a deposit and applied for a loan to cover the entire purchase price.

The loan had interest, fees and total charges of £13,296.61 (comprising of interest of £13,296.60, and an option to purchase fee of 1p), and the total amount to be repaid of £26,796.61 was due to be repaid in 60 monthly instalments of £446.61.

Mr H's complaint was considered by one of our investigators. He didn't think that Ratesetter had done anything wrong or treated Mr H unfairly. So he didn't recommend that Mr H's complaint should be upheld. Mr H disagreed with our adjudicator 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 Mr H's complaint.

Ratesetter needed to make sure that it didn't bring about Mr H's agreement irresponsibly. In practice, what this means is that Ratesetter needed to carry out proportionate checks to be able to understand whether Mr H could make his payments in a sustainable manner before approving his loan. And if the checks Ratesetter 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 checks were proportionate. Generally, we think it's reasonable for pre-lending checks to be less thorough – in terms of how much information is gathered and what is done to verify that information – in the early stages of a lending relationship.

But we might think a firm needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information it had – such as a significantly impaired credit

history – suggested the firm needed to know more about a prospective borrower's ability to repay what they were being lent.

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

Ratesetter says it approved Mr H's application after it completed an income and expenditure assessment on Mr H. During this assessment, Mr H provided details of his monthly income and this was cross referenced against payslips and information held by credit reference agencies. Ratesetter says it also carried out credit searches on Mr H.

I've thought about what Mr H and Ratesetter have said.

The first thing for me to say is that much like our investigator, I don't think that the checks Ratesetter carried out did go far enough. Ratesetter's searches showed that Mr H had had previous difficulties with credit. I can see he had previously defaulted on credit commitments. So, in my view, Ratesetter needed to take further steps to verify Mr H's actual living costs, given what the credit search showed in order for its checks to have been proportionate.

As Ratesetter didn't carry out sufficient checks, I've gone on to decide what I think Ratesetter is more likely than not to have seen had it obtained further information from Mr H. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected Ratesetter to have had a reasonable understanding about Mr H's regular living expenses as well as his income and existing credit commitments.

I've considered the information Mr H has provided us with – including his bank statements. And having done so, this information does appear to show that when Mr H's committed regular living expenses and existing credit commitments are deducted from his monthly income at the time, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement – albeit the bank statements do show a large amount of cash withdrawals.

I accept that Mr H has now told us the reason he was making cash withdrawals.. But what I need to think about here is what did Ratesetter need to have done in order for its checks to have been proportionate – in other words, what were Mr H's actual regular living expenses (bearing in his credit commitments were already validated by the credit search)? – given this was a first agreement Ratesetter was bringing about for Mr H.

Bearing in mind checking bank statements wasn't the only way for Ratesetter to have found out more about Mr H's actual living costs – it could have obtained copies of bills or other evidence of payment etc – I don't think that proportionate checks would necessarily shown up the cash withdrawals, let alone led Ratesetter to realise the reasons for this. So I don't think that Ratesetter could reasonably be expected to have known about the nature and extent of Mr H's additional spending.

Overall and having carefully considered everything, while I don't think that Ratesetter's checks before bringing about this hire purchase agreement for Mr H did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have prevented Ratesetter from bringing about this agreement for him. I'm therefore not upholding this complaint.

I appreciate that this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr H's complaint, I would remind Ratesetter of its continuing obligation to exercise forbearance and due consideration in the event Mr H is having difficulty making payments to clear the amount outstanding and it chooses to collect payments from him.

My final decision

My final decision is that I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 November 2023.

Jeshen Narayanan
Ombudsman