

The complaint

Mr F is complaining that Tandem Motor Finance Limited, formerly 1st Stop Car Finance (1st Stop) shouldn't have lent to him – he says the lending was unaffordable. A representative has brought his complaint to us but for ease I've written as if he's dealt with us directly.

What happened

In April 2018, Mr F took out a hire purchase agreement with 1st Stop to finance the purchase of a vehicle. He borrowed £6,495 – the cash price of the vehicle. The agreement required Mr F to make 59 monthly repayments of £188.99, followed by a final instalment of £363.79. Mr F made all payments on time until May 2019, when he settled the loan in full.

In April 2023, Mr F complained to 1st Stop, saying that at the time of lending he'd had an account passed to a debt recovery company, so he thought 1st Stop had failed to conduct appropriate checks before lending to him. He added that he'd taken out additional borrowing since March 2018 which reflected his dependence on borrowing.

In response, 1st Stop said all applications go through a creditworthiness and affordability assessment, and they speak to every customer before finalising the loan. In respect of Mr F specifically, they said they'd verified his income by looking at the average monthly income on his February 2018 payslip. They reviewed his credit file and found three defaults, all for low amounts and all more than 12 months old. They found he had three active credit agreements, with a total balance of £11 and no missed payments or arrears. So they thought Mr F was in a stable financial position and would likely have been able to meet repayments out of his normal household income. They didn't uphold his complaint.

Mr F was unhappy with 1st Stop's response and brought his complaint to our service. Our investigator didn't uphold the complaint, saying he thought 1st Stop had done enough to check that the lending was affordable for Mr F.

Mr F remained unhappy so asked for an ombudsman to review his complaint. In doing so, he provided his bank statements for much of the period leading up to the lending decision.

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, and recognising it'll be disappointing for Mr F, I'm not upholding his complaint for broadly the same reasons as our investigator – I'll explain below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did 1st Stop carry out proportionate checks?

1st Stop said they carried out the following checks:

- reviewed Mr F's credit file;
- checked his income to the monthly average on his payslip; and
- spoke with Mr F on the phone to confirm the agreement was affordable for him.

1st Stop have provided a copy of Mr F's credit file. I can see the total value of his defaults at the time was £576 and Mr F had a total balance on his active credit agreements of £11. The credit file also shows Mr F had no defaults in the previous 12 months and one in the previous 36 months, with the other two dated 2013 and 2014.

I've also looked at Mr F's copy of his credit report and I can't see any other issues which might have indicated Mr F was in financial difficulties in April 2018. Whilst I can see Mr F has an account with a debt collector, there's limited information available about the account and it didn't default until 2021. I can't see when it was transferred to the debt collector, or what the payment history was before April 2022 – but it looks likely this was the mail order account which appears on 1st Stop's copy of the credit file with a balance of £11.

I've seen the payslip 1st Stop checked and can see they've divided the "year to date" net pay by the 11 months of the tax year at the time to get to a monthly average net income of £1,291. I'm satisfied this was a proportionate way for 1st Stop to assess Mr F's income.

I haven't heard a recording of the call between 1st Stop and Mr F, but I'm satisfied the checks were proportionate without hearing the call. That's because 1st Stop checked Mr F's income to his payslips and there were no indicators from his credit file that he was in any financial difficulties or that he had any significant credit commitments. Although Mr F's income was relatively low, his repayments were also low, so proportionate checks didn't necessarily require 1st Stop to assess Mr F's expenditure.

Did 1st Stop make a fair lending decision?

1st Stop were aware Mr F had monthly income of £1,291 and from that would need to make repayments of around £189. They also had a copy of Mr F's tenancy agreement, showing that it was a joint tenancy with monthly rent of £650. So it would have been reasonable for them to assume Mr F would need to contribute £325 towards the rent. From Mr F's credit file, 1st Stop were aware he had no other significant credit commitments. So after paying his rent and his car repayments he would have £777 per month to cover bills, other household expenditure and any discretionary and emergency expenditure.

1st Stop said their checks indicated that Mr F should have been able to meet repayments out of his normal income without having to borrow to meet the repayments, and without the repayments having a significant adverse impact on his financial situation. I'm satisfied that conclusion was fair and reasonable – Mr F's income seemed sufficient to cover the repayments, his rent, and other necessary expenditure.

In summary, I can't say 1st Stop's checks weren't proportionate, or that they didn't make a fair lending decision given the outcome of those checks. So I'm not upholding Mr F's complaint.

My final decision

As I've explained above, I'm not upholding Mr F's complaint against Tandem Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 November 2023.

Clare King
Ombudsman