

## The complaint

Mr D is complaining about Startline Motor Finance Limited's decision to lend to him – he says the loan was unaffordable. His complaint was brought to our service by a representative but for ease I've written as if we've dealt directly with him.

## What happened

In August 2016, Mr D took out a hire purchase agreement with Startline, via a broker, to finance the purchase of a car. He paid a deposit of £1,278.90 and borrowed £15,742.10 over a 60-month term, with monthly repayments of £366.

In June 2022 Mr D complained to Startline, saying they shouldn't have lent to him. He said they'd failed to conduct thorough, appropriate and reasonable checks specific to his application.

Startline didn't uphold his complaint. They said they support applicants who have a lower credit rating and said they'd done a proper assessment of affordability before deciding to lend to Mr D. They said their assessment considered the following:

- Mr D was a married homeowner with regular employment. His bank statements confirmed his income was consistent.
- He'd defaulted on two credit accounts in November 2014 but both had been settled in January 2016.
- All other active credit accounts, including two mortgages, a hire purchase agreement, a credit card, and a loan, were all being well maintained. The existing hire purchase agreement was required to be settled as a condition of the lending.

So, they said, they'd completed a reasonable assessment of creditworthiness, identifying no material risk of affordability issues.

Mr D wasn't happy with Startline's response so he brought his complaint to our service and one of our investigators looked into it. Our investigator didn't uphold the complaint – she said although she thought Startline hadn't carried out proportionate checks at the time, she hadn't seen enough evidence to say Startline should have discovered the agreement was unaffordable for Mr D.

Startline accepted our investigator's view. But Mr D wasn't happy. He said he owed over £70,000 at the time which should have been reason enough to decline his application. He felt he'd provided enough evidence to give a clear picture of his financial circumstances at the time. He added that his monthly expenditure at the time included mortgage repayments of £636, loan repayments of £595, car loan repayments of £605, general monthly bills of £415 and credit cards and insurances totalling £185. And he said he was trying to make up missed payments on his loan and mortgage at the time as well.

Mr D asked for an ombudsman to review the complaint – and it came to me. I issued a provisional decision on 5 September 2023 which said:

*“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 Startline carry out proportionate checks?*

*Startline checked Mr D’s credit file and were happy with what they found. I’ve looked at Startline’s copy of Mr D’s credit file. It shows five active accounts – two mortgage accounts, one credit card, one hire purchase agreement and a telecoms account. The total balance was nearly £71,000 (or £67,500 excluding the hire purchase agreement which was to be settled). Across these open accounts there were no missed payments and no balances over limit. So it’s fair to say Mr D was managing his active credit well.*

*In addition, the credit file showed two settled accounts. These were for gas and electric, both defaulted in November 2014 and were settled in January 2016. There were no other indicators of any concern.*

*The credit file showed that Mr D needed to make monthly payments of £1,511 against his loans. Assuming he’d also pay 5% of his credit card balance each month, this meant his total payments towards outstanding credit were around £1,630. And once the new hire purchase agreement was factored in, this figure goes up to around £1,700. So Startline needed to be sure Mr D’s income was enough to manage these financial commitments as well as general living expenses.*

*Startline noted that they Mr D’s income wasn’t declared on his application or validated. But they said they looked at his bank statements and noted his income fluctuated. They haven’t sent us the bank statements they looked at or told us how they decided Mr D’s income was enough to be sure the agreement was affordable. So I can’t say they did proportionate checks.*

*What would Startline have found if they had done proportionate checks?*

*A proportionate check would have involved Startline finding out more about Mr D’s income and expenditure to determine whether he’d be able to make repayments in a sustainable way.*

*As set out above, Mr D gave us an indication of his spending at the time, but the numbers don’t agree to what’s on his credit file. And I haven’t seen any indication of what his income was at the time. So I’ve looked at Mr D’s bank statements to get a better idea of his financial circumstances. Because of the time that had passed, Mr D couldn’t get hold of statements prior to 22 July 2016 – but I think looking at three months around the time of his application gives a good indicator of what Startline would have found at the time if they’d done more.*

*I’ve considered the statements for the period from 22 July 2016 to 21 October 2016. They seem to show Mr D’s income fluctuated but was, on average, around £2,600 per month – this comprises the amounts marked “wages” and the amounts marked “dividends”.*

*However, these amounts were being paid into Mr D’s current account from his business account, which I haven’t seen statements for. And it looks like Mr D had another account from which he occasionally transferred money into this current account – again I don’t*

*have statements for that account. In addition, neither of Mr D's monthly mortgage payments went out of this current account so on balance it seems likely Mr D's income was actually higher than £2,600 per month – or his mortgage payments were covered by someone else on his behalf.*

*Without any further information, I think it's safe to assume Mr D's income was at least £2,600 per month while bearing in mind it was likely higher.*

*As I mentioned above, Mr D's financial commitments were around £1,700 per month (including the new hire purchase agreement) at the time. At first glance I think it would have been reasonable for Startline to decide £2,600 income was enough for Mr D – this left around £900 to cover bills and food each month.*

*Looking at Mr D's bank statements, he was paying around £100 per month for insurances, around £80 per month towards credit providers and debt collectors not shown on his credit file and an average of £385 per month for his household bills. This would have left £335 for food, fuel, and other essentials – so I'm not inclined to say this was unaffordable for Mr D.*

*On balance, while I don't have a complete picture of Mr D's finances at the time, I'm inclined to say that if Startline had obtained done more to assess the affordability of this hire purchase agreement, they could reasonably have decided to lend to Mr D."*

### **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.

Neither party responded to my provisional decision – so my findings remain unchanged.

### **My final decision**

As I've explained above, I'm not upholding Mr D's complaint about Startline Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 1 November 2023.

Clare King  
**Ombudsman**