

## **Complaint**

Mr G complains that Specialist Motor Finance Limited (“SMF”) unfairly entered into a hire-purchase agreement with him. He’s said that the agreement was unaffordable and shouldn’t have been provided to him.

## **Background**

In January 2019, SMF provided Mr G with finance for a used car. The cash price of the vehicle was £6,895.00. Mr G paid a deposit of £100 and entered into a hire-purchase agreement with SMF for the remaining £6,795.00 required to complete his purchase.

The agreement had interest, fees and total charges of £4,192.60 (made up of interest of £4,182.60 and an option to purchase fee of £10). The total amount to be repaid of £10,987.60 (not including Mr G’s deposit) was due to be repaid by 59 monthly instalments of £182.96 followed by a final monthly instalment of £192.96.

Mr G complained that the agreement was unaffordable and so should never have been provided to him. SMF didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

Mr G’s complaint was considered by one of our investigators. He didn’t think that SMF had done anything wrong or treated Mr G unfairly. So he didn’t recommend that Mr G’s complaint should be upheld.

Mr G 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.

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

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 G’s complaint.

SMF needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that SMF needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr G before providing it.

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.

SMF says it agreed to Mr G's application after he provided details of his monthly income which was cross-checked against information from credit reference agencies on the amount of funds going into Mr G's main bank account. It says it also carried out credit searches on Mr G which show a number of defaulted accounts although it considered these to be historic as the last of them had occurred some 18 months prior to this application.

The credit search also showed what it considered to be 27 good settled credit items. And when repayments for the amounts owing plus a reasonable amount for Mr G's living expenses, calculated on statistical data, were deducted from his monthly income the monthly payments were affordable.

On the other hand, Mr G says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr G and SMF have said.

The first thing for me to say is that I don't think Mr G's previous difficulties with credit in itself means that SMF shouldn't have lent to him. That said, there is an argument for saying that this ought to have led SMF to find out more about Mr G's actual regular living costs rather than relying on estimates of this.

But even if this is the case, I've not been provided with anything that clearly shows me that when Mr G's committed regular living expenses (rather than estimates) and existing credit commitments were deducted from his monthly income, he did not have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept it's possible that Mr G's circumstances were worse than what I've been provided with or what he'd let on to SMF – particularly as it's clear that he would have been looking to persuade SMF to lend to him. But as the evidence provided does not persuade me that SMF would have reached a different decision on lending, I can't reasonably say that it finding out more about Mr G would have made a difference.

Overall and having carefully considered everything, while there is an argument for saying that SMF's checks before entering into this hire purchase agreement with Mr G didn't go far enough, I'm satisfied that SMF finding out more about Mr G's regular living costs would not have stopped it from providing these funds, or entering into this agreement.

So I'm satisfied that SMF didn't act unfairly towards Mr G when it agreed to provide the funds. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr G. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

Mr G has said that SMF has already accepted that it could have done more in its final response. However, this was in relation to setting up payment arrangements after he ended up falling behind with payments, rather than lending to Mr G in the first place.

In any event, as I've not upheld Mr G's complaint, I leave it up to him to decide whether he wishes to accept the offer SMF set out in its final response and if he does wish to do so he should contact it directly in relation to this matter.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 June 2024.

Jeshen Narayanan  
**Ombudsman**