

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 November 2021, 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 £116 and borrowed £10,879 over a 60-month term, with monthly repayments of £274.88. Mr D missed a payment in August 2022 and the car was subsequently sold and the account defaulted with a balance of around £2,800.

In November 2022 Mr D complained to Startline, saying they shouldn't have lent to him – but 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.

Startline said their systems confirmed Mr D's net monthly income of £1,587 using one of the credit reference agency (CRA) affordability tools. They said he was a married tenant and the CRA data they'd looked at showed he had an acceptable payment history with all active accounts being well paid. That included an unsecured loan, three credit cards, and an existing hire purchase agreement. This hire purchase agreement had monthly instalments of around £225 and was required to be settled as a condition of this new agreement. Startline said Mr D had one live default with a telecommunications supplier but the balance was reducing.

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. He said Startline had been irresponsible in providing him with finance and had failed to conduct thorough, appropriate and reasonable checks.

Our investigator looked into things and didn't uphold the complaint – he said he thought Startline had carried out proportionate checks and made a fair lending decision.

Startline accepted our investigator's view. But Mr D wasn't happy. He said he'd had 17 late payments on other accounts in the three months prior to the lending decision and 29 in the six months prior. He asked for an ombudsman's decision – and the complaint's come to me. I issued a provisional decision on 17 August 2023. In summary, I said I didn't think Startline had done proportionate checks, but I thought even if they had they could have fairly decided to lend to Mr D. My provisional decision was as follows:

“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 verified Mr D's income using one of the CRA's account turnover tools. And they were happy with what they found on his credit file.

They calculated that with income of £1,587 per month, loan repayments of £290, payments for the new hire purchase agreement of £275, and payments towards other credit commitments of around £55 per month, he would have £967 left over for his living expenses. On this basis they concluded that the arrangement was affordable for Mr D.

I'm not sure how Startline determined that £967 per month was enough for Mr D to live on without knowing how much he spent on housing or his family circumstances. I'm inclined to say this amount often wouldn't be enough to cover housing, council tax, utility bills, food and other essentials.

In addition, I'm not happy with Startline's analysis of Mr D's credit file. I've looked at the same information and I can see Mr D had significant amounts outstanding on three separate home credit loans (totalling around £2,200). He was supposed to be paying a total of about £170 per week against these loans but was in arrears on all three. At the time of the lending decision he'd also recently missed a repayment on a credit card account. And the telecommunications default had occurred less than a year ago so is also a factor in thinking about what would have been reasonable and proportionate.

In summary, I'm inclined to say Startline didn't do reasonable and proportionate checks when assessing whether the agreement was affordable for Mr D. He had a relatively low income, was borrowing a significant amount of money over a five year period, and there were indicators from his credit file that he was struggling to meet his financial commitments. This combination of factors should have prompted Startline to ask Mr D more questions about his financial circumstances.

So I need to consider what Startline would have found if they had completed 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.

I've looked at statements for Mr D's three bank accounts for the three months preceding his application to Startline – August, September and October 2021. I've not seen any evidence that he had any other personal bank accounts. I'm not saying Startline needed to obtain bank statements as part of their lending checks. But in the absence of other information, bank statements provide a good indication of Mr D's financial circumstances at the time the lending decision was made.

These statements show Mr D's income was, on average, around £1,560 per month – so very close to the figure Startline verified. I can see his loan payments of £290 per month and he was paying around £80 per month on average against other credit commitments. He had limited other regular non-discretionary expenditure – his statements show around £100 per month on food and an average of £50 per month on mobile phones. Mr D was spending around £600 per month on fuel cards at the time but hasn't explained to us why this figure was so high.

Mr D also says he contributed towards rent and council tax, paying his partner a total of £187 per month – but I can't see these amounts on his bank statements – I can only see much smaller contributions which are offset by receipts from his partner. That suggests any contributions Mr D made to rent and council tax were paid from another income source which I haven't seen any evidence of. I've therefore not taken these payments into account when considering Mr D's disposable income.

I've also not taken into account the payments Mr D was supposed to be making on the home credit loans. At the time, he'd been in arrears on these for several years and I've seen no evidence he was making payments.

In summary, Mr D's testimony and evidence are inconsistent. From the evidence I've seen it looks like Mr D had regular non-discretionary expenditure totalling around £1,120 per month, against income of £1,560 per month. That left him with around £440 per month to cover the hire purchase payments of £275 per month. On that basis, I'm inclined to say that even if Startline had done more checks, they'd have found it was affordable for 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 have 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 .

Clare King
Ombudsman