

Complaint

Mr M complains that Billing Finance Limited (“Billing Finance”) unfairly entered into a hire-purchase agreement with him. He’s effectively said that the payments to the agreement were unaffordable and so it shouldn’t have been provided to him.

Background

In September 2021, Billing Finance provided Mr M with finance for a motorbike. The cash price of the vehicle was £2,800.00. Mr M paid a deposit of £799 and applied for finance to cover the remaining £2,001.00 needed to complete his purchase.

The loan had interest, fees and total charges of £798.28 (comprising of interest of £797.28 and an option to purchase fee of £1), and the total amount to be repaid of £2,799.28 (not including Mr M’s deposit) was due to be repaid in 35 monthly instalments of £77.73 and one final payment of £78.73.

Mr M has also complained about a finance agreement which Billing Finance entered into with him in March 2020. But we’ve considered that complaint separately. And this decision is solely looking into whether Billing Finance acted fairly and reasonably towards Mr M in September 2021.

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

Mr M 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.

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 M’s complaint.

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

Billing Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Billing Finance needed to carry out proportionate checks to be able to understand whether Mr M could make his payments in a sustainable manner before agreeing to lend to him. And if the checks Billing Finance 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 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.

Billing Finance says it agreed to this application after it completed an income and expenditure assessment on Mr M. During this assessment, Mr M provided details of his employer, income and how long he'd been employed for. This was verified with copies of bank statements which Mr M provided.

Billing Finance says it also carried out credit searches on Mr M which showed some existing credit commitments but no significant adverse information such as defaulted accounts or County Court Judgments. And when the amount Mr M already owed plus a reasonable amount for Mr M's living expenses, based on statistical data, were deducted from his monthly income the monthly payments were affordable. On the other hand, Mr M says he was already struggling at the time and that these payments were unaffordable.

I've thought about what Mr M and Billing Finance have said.

The first thing for me to say is that Billing Finance didn't just simply accept what Mr M had told it. It carried out credit searches which showed that Mr M didn't have any significant adverse information recorded against him such as defaults or CCJs. And while I accept that Mr M might dispute this, I don't think that his unsecured credit commitments were excessive. This is especially considering the low amount of the monthly payments for this agreement, Mr M's income, and importantly he was paying an amount equivalent to 25% of the total purchase price (which also equated to over ten monthly payments) upfront.

I accept that Mr M appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he may have provided, or the information Billing Finance obtained. I'm sorry to hear about that Mr M has found making his payments difficult. But in the first instance I have to consider that Mr M considered it an appropriate time to purchase a vehicle.

Secondly, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. In Mr M's case, Billing Finance' checks didn't appear to indicate that Mr M might have been struggling and also suggested that he could make these payments.

In these circumstances, given the amount of the low amount of monthly payments, Mr M's significant deposit in comparison with the purchase price and the lack of obvious indicators of any recent difficulty in the information Billing Finance did obtain, I don't think that it was unreasonable for Billing Finance to lend.

So overall and having carefully considered everything, I'm therefore satisfied that Billing Finance didn't act unfairly towards Mr M when it agreed to lend to him and I'm not upholding Mr M's complaint. I appreciate that this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 June 2024.

Jeshen Narayanan
Ombudsman