

## **Complaint**

Mr M complains that Advantage Finance Ltd (“Advantage Finance”) unfairly entered into a hire-purchase agreement with him. He’s said he was the monthly payments for the agreement weren’t affordable and so he shouldn’t have been accepted for it.

## **Background**

In January 2019, Advantage Finance provided Mr M with finance for a used car. The cash price of the vehicle was £7,470.00. Mr M didn’t pay a deposit and entered into a 60-month hire-purchase agreement with Advantage Finance to cover the entire amount.

The loan had interest, fees and total charges of £7,783.60 (comprising of interest of £7,283.60, an acceptance fee of £325 and an option to purchase fee of £175), and the total amount to be repaid of £15,253.60 was due to be repaid in 59 monthly instalments of £251.31 followed by 1 final payment of £426.31.

Mr M’s complaint was considered by one of our investigators. He didn’t think that Advantage 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.

Advantage Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Advantage 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 Advantage 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.

Advantage 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 income and this was cross-checked against information provided by credit reference agencies on the amount of funds going into his main bank account each month.

Advantage Finance says it also carried out credit searches on Mr M which showed some previous adverse credit information in the form of some defaulted accounts. But it considered that these were for the most part historic and not indicative of the fact that Mr M should not have been lent to under any circumstances.

In any event, in Advantage Finance's view, when the amount Mr M already owed plus a reasonable amount for his living expenses, based on statistical data, were deducted from his monthly income the monthly payments were still 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 Advantage Finance have said.

The first thing for me to say is that unlike our investigator, I don't think that Advantage Finance did do enough here. Advantage Finance's searches showed that Mr M had had previous difficulties with credit. I accept that almost all of them were historic. However, the most recent of them occurred within a year of this application.

I think that the most recent default may have been an indication that Mr M might have been heading back towards experiencing difficulty with credit. So, in my view, Advantage Finance needed to react to this by taking further steps to ascertain Mr M's actual living costs, in order for its checks to have been proportionate.

As Advantage Finance didn't carry out sufficient checks, I've gone on to decide what I think Advantage Finance is more likely than not to have seen had it obtained further information from Mr M. Bearing in mind, the recent default, I would have expected Advantage Finance to have had a reasonable understanding about Mr M's regular living expenses, rather than rely on estimates, as well as his income and existing credit commitments.

I've considered the information Mr M has provided us with. To be clear, I'm not going to carry out a forensic analysis of the bank statements provided in order to 'underwrite' this loan sometime after the event. I'm simply going to consider whether it is more likely than not Advantage Finance will have made a different decision (on whether to lend to Mr M) if it had obtained more information on Mr M's actual living costs.

Having considered the information provided, I'm satisfied that there isn't anything to show that Mr M's living expenses were more than what Advantage Finance's estimates indicated them to be. Indeed, both sets of bank statements provided show very little in the way of direct payments towards regular living costs.

In these circumstances, I cannot reasonably conclude that when Mr M's committed regular living expenses and existing credit commitments are deducted from his monthly income at the time, that he did not have the funds, at the time at least, to sustainably make the repayments due under this agreement. In my view, the information in the bank statements do not contradict or call not question the estimated expenditure information that Advantage Finance relied upon in its income and expenditure assessment.

So overall and having carefully considered everything, while I don't think that it was reasonable for Advantage Finance to rely on average data in relation to Mr M's regular living expenses, I'm satisfied that further checks won't have prevented Advantage Finance from providing these funds, or entering into this agreement with him.

I'm therefore satisfied that Advantage Finance didn't act unfairly towards Mr M when it agreed to provide the funds 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 18 June 2024.

Jeshen Narayanan  
**Ombudsman**