

The complaint

Miss B complains that Mann Island Finance Limited (“Mann Island”) irresponsibly granted her a hire purchase agreement she couldn’t afford to repay.

What happened

In September 2022, Miss B acquired a used car financed by a hire purchase agreement from Mann Island. The capital amount she borrowed was £34,500. Miss B was required to make 59 monthly payments of £724.17 followed by a final payment of £725.17. She paid a deposit of £5,750. The total repayable under the agreement was £43,451.20.

Miss B started getting into difficulty with repaying the agreement in August 2023. Mann Island took steps to assist Miss B by agreeing a two month payment-free period.

Miss B says that Mann Island didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. She says it also should have been aware she was on maternity leave.

Mann Island said it carried out a thorough affordability assessment before approving the finance.

Our investigator didn’t recommend the complaint be upheld. She thought that whilst Mann Island’s initial checks could have been better, it didn’t act unfairly or unreasonably by deciding to approve the agreement.

Miss B didn’t agree. She said she had been on maternity leave at the time and that this and other factors in her personal situation ought to have been taken into account.

The case has therefore been passed to me for a final decision.

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.

Mann Island will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

At the time of the application Miss B told Mann Island about her occupation and said that her annual salary was around £39,000. Mann Island says it checked with a credit reference agency to see what she owed by way of credit elsewhere. This showed that Miss B was repaying a small loan and credit card with a near-zero balance owing on it. There is no suggestion that Miss B had recent issues in her credit history, such as missed payments or defaults.

I haven't seen any further details from Mann Island about the results of these checks. Also, I can't see what if any steps it took to verify Miss B's income before approving the finance – for instance, by asking her to provide some copy payslips. Given the overall size of the borrowing and the monthly repayments, I think it would have been proportionate for Mann Island to have done so to ensure it was affordable.

So I think, taken together with the fact that Miss B was planning to borrow a relatively large sum payable over a five year period, there was at least a possibility that Miss B might have problems repaying the amount due over the course of the agreement. In those circumstances I think it would have been reasonable and proportionate for Mann Island to have done more to have a better understanding about Miss B's particular financial circumstances.

I've considered what Mann Island would likely have found out if it had completed reasonable and proportionate affordability checks. We've asked Miss B to provide us with evidence of her financial circumstances at the time the lending was taken out. She has sent us bank statements from before the agreement and also for a short time after. She has also given us some additional information about her financial situation at the time. Bank statements aren't necessarily enough to give a fully definitive picture of how Miss B was managing her finances at the time. But having sight of them would have helped to verify Miss B's income. And they give a reasonable indication of what Mann Island might have discovered if it had carried out better checks.

I agree with our investigator that the statements show that Miss B was receiving a total average monthly income of around £3,500. This includes income from her employment and state benefits. It doesn't include contributions made by her partner towards household costs which is additional income towards meeting monthly outgoings. So, I also broadly agree that Miss B would likely be left with monthly disposable income of around £2,400. Therefore, after allowing for the monthly repayment of £724.17, she would likely be left with ample disposable income.

Miss B says that by this time she was already on maternity leave and Mann Island ought to have been aware of this. But I can't see how Mann Island would have known about this at the time unless Miss B had told them about it. I've seen from the copy bank statements after the agreement that Miss B wasn't receiving her salary. Miss B says the employment income that showed at the time of the agreement relates to sales bonuses being paid in arrears. But again, unless this information was specifically drawn to the attention of Mann Island, I wouldn't expect it to be apparent that Miss B might not have been working at the time of the agreement. It was always open to Miss B to point this out.

It follows that I don't think from what I've seen and what Miss B has told us that the agreement was likely to have been unaffordable to her at the time. So I can't reasonably conclude that Mann Island ought to have known she might have difficulty with meeting the repayments going forwards. I'm therefore not persuaded that Mann Island acted unfairly in approving Miss B's finance.

Finally, Miss B has told us about other factors that left her vulnerable at the time of taking out the agreement. I am sorry to learn of this. But unless these issues were made known to Mann Island at the time so they could be taken into account when looking at her application, I don't consider they affect the question of whether the agreement was likely to be affordable to Miss B.

I would however expect Mann Island to continue to treat Miss B with appropriate forbearance and explore ways with her to ensure she is able to repay the balance outstanding under the terms of the agreement in a manageable and sustainable way.

I've also considered whether the relationship between Mann Island and Miss B might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Mann Island lent irresponsibly to Miss B or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 1 August 2024.

Michael Goldberg

Ombudsman