

The complaint

Ms C complains that Blue Motor Finance Ltd (“BMF”) irresponsibly granted her hire purchase agreement she couldn’t afford to repay.

What happened

In June 2016, Ms C acquired a used car financed by way of a hire purchase agreement from BMF. Ms C was required to make an initial acceptance fee payment of £263.86 followed by a further 59 monthly repayments of £263.86, plus a final payment of £413.86. The total repayable under the agreement was £16,255.46.

Ms C says that BMF didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. BMF didn’t agree. It said it carried out an assessment of her ability to meet the repayments when she applied for the finance.

Our adjudicator didn’t recommend the complaint be upheld. He thought BMF didn’t act unfairly or unreasonably by approving the finance agreement. Ms C didn’t agree and provided us with further information about loans she was paying. She also clarified that some payments being made to her bank account were from another account holding compensation funds from a legal claim.

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.

BMF 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.

From what I’ve seen BMF didn’t verify Ms C’s income before approving the finance – it only asked her to confirm her income verbally. Given the overall size of the borrowing, the monthly repayments and the term of the agreement, I think it would have been proportionate for BMF to have done so to ensure it was affordable.

I’ve also not seen evidence that BMF asked Ms C about her expenditure. Without knowing what Ms C’s regular committed expenditure was BMF wouldn’t have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn’t complete proportionate checks.

I can’t be certain what Ms C would have told BMF had it asked about her regular expenditure. I don’t think BMF needed to request bank statements, but in the absence of anything else, I’ve placed significant weight on the information contained in Ms C’s statements as an indication of what would most likely have been disclosed.

I've reviewed three months of bank statements prior to the application as well as the further income and expenditure information Ms C sent our adjudicator after he'd provided his views on the complaint. I can see that Ms C's regular committed monthly expenditure, which included a number of loan repayments, averaged out at around £1,800-1,900 per month and that her average income was around £2,400 per month. In calculating this figure, I've kept in mind that these statements do not necessarily show all of Ms C's daily costs and living expenses. On the other hand, whilst I note that Ms C was making frequent use of her overdraft, I've also seen that she appears to have had income available for discretionary purchases. I say this because when assessing her ability to make repayments, I would have expected BMF only to be concerned with what was essential and/or committed expenditure.

Taking these figures into account, therefore, it appears to show the agreement was affordable to Ms C. For this reason, I'm not persuaded that BMF acted unfairly in approving the finance.

Finally, I've seen that Ms C raised a query about the cost of the car as shown on her agreement not being the same as the price she'd thought she'd seen advertised and agreed to. I see that she raised this with BMF who said in their final response letter that the dealer had so far been unable to trace the paperwork to account for the price difference. So it's not something I've been able to consider in this decision. That means it remains open to Ms C to raise this issue as a separate complaint with her broker or BMF should she wish to.

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 Ms C to accept or reject my decision before 17 June 2022.

Michael Goldberg
Ombudsman