

Complaint

Mr B complains that Blue Motor Finance Ltd (“BMF”) unfairly entered into a hire-purchase agreement with him.

He’s said that the agreement was unaffordable.

Background

In November 2021, BMF provided Mr B with finance for a used car. The cash price of the vehicle was £12,074.00. Mr B paid a deposit of £2,234.00 (consisting of a cash payment of £2,159.00 and a part-exchange amount of £75) and entered into a 60-month hire-purchase agreement with BMF for the remaining amount to be paid.

The amount lent was £9,840.00. The agreement had interest, fees and total charges of £5,245.60 (made up of interest of £5,244.60 and an option to purchase fee of £1). The total amount to be repaid of £15,085.60 (not including Mr B’s deposit) was due to be repaid by 59 monthly instalments of £251.41 followed by a final monthly instalment of £252.41.

Mr B’s complaint was considered by one of our investigators. She didn’t think that BMF had done anything wrong or treated Mr B unfairly. So she didn’t recommend that Mr B’s complaint should be upheld.

Mr B 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 B’s complaint.

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

BMF needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that BMF needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr B before providing it.

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.

BMF says it agreed to this application after Mr B provided details of employment as well as his monthly income. It says it also carried out credit searches on Mr B. In BMF's view, when payments to the amount Mr B already owed, plus a reasonable amount for Mr B's living expenses, were deducted from his monthly income the monthly payments were affordable.

On the other hand, Mr B says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr B and BMF have said.

The first thing for me to say is that as Mr B had previous difficulties with credit in the form of defaulted accounts and a County Court Judgement ("CCJ"), unlike our investigator, I don't think it was reasonable to rely on an estimate of Mr B's living costs. Instead I think that BMF needed to do more to find out about Mr B's actual living costs. As BMF didn't do this, I don't think that BMF's checks did go far enough in this instance.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown. However, despite having been given significant opportunity to do so, Mr B has not provided us with the information we've asked for in order to determine whether his actual regular living expenses were significantly more than the estimates BMF used in its assessment.

So while I appreciate what Mr B has said about the figures that were used in BMF's assessment of his income and expenditure assessment being incorrect, I've not been provided with sufficient information which persuades me that his regular living expenses differed from the estimates BMF used. And more importantly, in these circumstances, I've not been persuaded that BMF doing more is likely to have shown that Mr B could not afford to make these payments.

I therefore conclude that BMF obtaining further information is unlikely to have led it to conclude that when Mr B's regular living expenses and existing credit commitments were deducted from his monthly income, he did not have the funds, at the time at least, to sustainably make the repayments due under this agreement. I say this while particularly mindful that Mr B paid a deposit equating to some eight monthly payments in one lump sum.

Overall and having carefully considered everything, while I don't think that BMF's checks before entering into this hire purchase agreement with Mr B did go far enough, I've not been persuaded that carrying out reasonable and proportionate checks would have stopped BMF from providing these funds, or entering into this agreement.

So I'm satisfied that BMF didn't act unfairly towards Mr B when it agreed to provide the funds. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr B. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 25 June 2024.

Jeshen Narayanan
Ombudsman