

Complaint

Mr W 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 January 2020, BMF provided Mr W with finance for a used car. The cash price of the vehicle was £2,649.00. Mr W didn’t pay a deposit and entered into a 37-month hire-purchase agreement with BMF for the total amount of the purchase.

The agreement had interest, fees and total charges of £967.54 (made up of interest of £714.12, a credit acceptance fee (a) of £93.42, a credit acceptance fee (b) of £150 and an option to purchase fee of £10). The total amount to be repaid of £3,616.54 was due to be repaid by 35 monthly instalments of £93.42 followed by a final monthly instalment of £243.42.

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

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr W’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 W 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 W provided details of his monthly income and confirmed that he was living at home with parents. It says it also carried out credit searches on Mr W which showed five active accounts. Three of these accounts had no balances at all on them. one was for a fixed sum loan and the final account was a revolving credit facility which had a low balance on it. There was also no significant adverse information recorded against Mr W either.

In BMF's view, when payments to the amount Mr W already owed, plus a reasonable amount for Mr W's living expenses, were deducted from his monthly income the monthly payments were affordable.

On the other hand, Mr W 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 W and BMF have said.

The first thing for me to say is that there is a more than reasonable argument for saying that BMF was entitled to rely on an estimate of Mr W's living costs given his low existing indebtedness as well as how his existing credit was being maintained. This is especially the case as Mr W said that he was living at home with parents and is therefore likely to have had lower living expenses.

I accept that Mr W 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 BMF obtained. And given Mr W's response to our investigator, it appears to be the case that he is of the opinion that BMF should have carried out some kind of forensic analysis, or financial review, in order to determine whether the payments to this agreement were affordable for him.

But given the low amount of the monthly payments, Mr W was being provided with an asset rather than cash which had the potential to limit any balance he could be left with and the lack of obvious indicators of any recent difficulty in the information BMF did obtain, I certainly don't think that reasonable and proportionate checks would have extended into requesting copies of Mr W's bank statements.

So while Mr W has disputed our investigator's interpretation of some of the information in the bank statements he's provided, I don't think that this is relevant given I wouldn't have expected BMF to have requested this in the first place.

For the sake of completeness, I should add that at best, even if I were to accept that further checks were necessary, which like I've explained there is a legitimate argument for saying wasn't the case here given all the circumstances, any such checks would only have gone as far as finding out more about Mr W's regular living costs. I don't think that obtaining bank statements was the only way that BMF could have done this.

Equally, the evidence provided (the bank statements) doesn't show me that a recreation of Mr W's regular living costs and adding this to the information BMF obtained from the credit search, means that doing more would have left BMF in a situation where it ought reasonably to have realised that the payments to this agreement were unaffordable for Mr W either.

As BMF didn't carry out sufficient checks, I've gone on to decide what I think BMF is more likely than not to have seen had it obtained further information from Mr W. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected BMF to have had a reasonable understanding about Mr W's regular living expenses as well as his income and existing credit commitments.

Overall and having carefully considered everything, even if I were to accept that BMF ought to have carried out further enquiries, 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 W when it entered into this agreement with Mr W. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr W. 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 June 2024.

Jeshen Narayanan
Ombudsman