

## The complaint

Mr M complains through a representative that Blue Motor Finance Ltd (“Blue Motor”) gave him a hire purchase agreement without carrying out a sufficient affordability and creditworthiness assessment.

## What happened

In November 2019, Blue Motor provided Mr M with a hire purchase agreement after an application was made through a broker for a used car. The cash price for the vehicle was £12,950 and Mr M paid a £2,950 deposit. The total amount of credit advanced was £10,000 with £7,179.72 of interest, fees and charges. With a total to repay including the deposit of £20,129.72. Mr M was due to make 47 payments of £357.89 followed by a final payment of £358.89. The agreement had an APR of 34%.

Blue Motor’s statement of account shows the hire purchase agreement was settled in February 2024.

Blue Motor issued a final response letter about Mr M’s complaint in December 2023, and it didn’t uphold it because it considered that it had undertaken proportionate checks before lending to Mr M. Mr M’s representative then referred the complaint to the Financial Ombudsman.

Mr M’s complaint was considered by an investigator and in her latest assessment she didn’t uphold the complaint. She said that Blue Motor ought to have found out more information about Mr M’s income and outgoings. But, based on the information provided, had further checks been made it would’ve still lent to him.

Mr M’s representatives’ disagreed and in summary said.

- The investigator’s calculations suggested that Mr M, after making the repayments would’ve been left with only £112 per month which his representative said wasn’t sufficient to meet any “...*emergency expenses*...”
- Although the mortgage payments aren’t apparent in the statements that doesn’t mean Mr M didn’t make a contribution towards it.

These comments didn’t change the investigator’s assessment and so the complaint has been passed to an ombudsman for a 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.

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.

Blue Motor needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Blue Motor needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M 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.

Blue Motor as part of the application process took details of Mr M's income which he declared was £2,083 per month. It doesn't seem that Blue Motor took steps to verify or cross reference whether this income was accurate.

It also knew that Mr M was an "*Owner Occupier*" and had lived at the same address for over 15 years. But it doesn't seem, at least from the information that I've been provided with, that Blue Motor knew how much the monthly cost of this was to Mr M.

Blue Motor conducted a credit search before granting the agreement and it has provided a copy of the results that it received. I've considered these results in order to see whether it was given any indication that Mr M was or was likely having financial difficulties at the time the agreement was granted.

Blue Motor discovered he had six active credit accounts including two communication accounts with a balance of £142. The remaining accounts were all noted as being current accounts. There was no adverse information being reported about these active accounts and the credit report didn't suggest that Mr M was overindebted.

However, Blue Motor was told that Mr M had defaulted on an account in August 2019 with a balance of £15 and another in November 2018 for £118.

I appreciate, the loan may have appeared affordable to Blue Motor but I don't think that conclusion could be fairly reached when it didn't check Mr M's income. And it doesn't seem that Mr M's actual everyday living costs were considered – which given the monthly repayment and term, and the recent default, I think Blue Motor should have investigated further. Like the investigator, I do think that before the agreement was approved, Blue Motor needed to, at the very, least understand what Mr M's actual monthly outgoings were.

Blue Motor could've gone about checking Mr M's outgoings a number of ways, it could've simply asked Mr M about his living costs were, asked for evidence from Mr M about his bills, or any other documentation it felt it may have needed. Or, as I've done here reviewed the bank statements Mr M has provided. This didn't, and doesn't mean that, Blue Motor had to undertake a full financial review of Mr M's circumstances, merely it just needed to obtain a better idea of what his living costs were.

Mr M's representative has provided statements for two different accounts with two different banks and I've considered both of these. Yet, even considering them, it doesn't lead me to conclude that had further checks been conducted Blue Motor would've likely concluded Mr M could afford the repayments.

It is also worth saying here that both sets of bank statements show minimal outgoings for Mr M. In the months before the agreement is entered into there is a TV licence payment and then two direct debits and these totalled £30. There are bank charges, petrol costs and a regular cheque payment of around £85.

There doesn't appear to be any income paid into this account – instead it looks like Mr M is receiving transfers in from other accounts.

The other bank statements were provided after the investigator's first assessment. Firstly, there are further regular payments from this account including for a mobile phone, a catalogue shopping account, TV subscription service and a payment to a debt collector.

This second account also has lots of transfers in from other sources that appear to be payments to Mr M for his work. The amounts Mr M received each month are significantly smaller than what Blue Motor believed his income to be – in the months before the loan Mr M was earning around £950 per month.

But even with this smaller income, the payments for this agreement would've appeared affordable. And I've thought about what Mr M's representative says about the left over amount each month. There will of course always be situations where an amount left over is so small that it wouldn't be fair or reasonable to say that Mr M could've absorbed any other costs.

But in this case, had further checks been conducted the loan would've looked affordable and so, given everything I've seen I don't think it would be fair or reasonable to uphold this complaint purely because Mr M may have had around £113 each month in disposable income – after the loan payment was made.

But given what I've said above about Blue Motor not needing to conduct a forensic review of his bank statements – I do think had it made some enquiries with Mr M about his living costs it would've likely concluded the finance was affordable for him.

I fully accept that Mr M may have not been in the best financial position when he took the agreement with Blue Motor but even if further checks were carried out – given the limited nature of those checks and what Blue Motor may or may not have done, I can't fairly say that it would've discovered the agreement was unaffordable.

I also know from the credit report provided by Mr M's representative that he did have a mortgage at the time. But that isn't shown in the credit report provided by Blue Motor nor can I see any payments in either bank statement to a mortgage provider or any other regular household living costs such as council tax or utilities. It's possible that Mr M was making a contribution to these costs as Mr M's representative has suggested.

I am therefore not upholding Mr M's complaint based on the evidence that has been provided because had Blue Motor carried out additional checks it would've likely discovered the loan was affordable and sustainable for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Blue Motor lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

For the reasons I've outlined above, I am 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 29 November 2024.

Robert Walker  
**Ombudsman**