

Complaint

Mr C complains that Blue Motor Finance Ltd (“BMF”) unfairly entered into a hire-purchase agreement with him. He’s said that the payments to this agreement were unaffordable and so he should not have been lent to.

Background

In December 2018, BMF provided Mr C with finance for a used car. The purchase price of the vehicle was £11,999.00. Mr C didn’t pay a deposit and entered into a hire-purchase agreement, which had a 61-month term, with BMF for the entire £11,999.00 he needed to complete his purchase.

The loan had interest and charges of £10,423.56 (which was made up of interest of £9,898.60, a credit acceptance fee (A) of £364.96, a credit acceptance (B) fee of £150 and an option to purchase fee of £10). All of this meant that the total amount to be repaid of £22,422.56 was due to be repaid in 60 monthly instalments of £364.96 followed by a final monthly payment of £514.96.

Mr C complained that the agreement was unaffordable and so should never have been provided to him. BMF didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

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

Mr C 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 C’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr C’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 C 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.

I've kept this in mind when considering the checks that BMF carried out.

BMF says it agreed to this application after Mr C provided details of his monthly income and it carried out credit searches on Mr C, which didn't show any significant adverse information such as defaulted accounts or County Court Judgement ("CCJ") recorded against him. In BMF's view, when reasonable repayments towards the amount Mr C already owed plus a reasonable amount for Mr C's living expenses (based on average data) were deducted from his monthly income the monthly payments for this agreement were still affordable.

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

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

In the first instance given Mr C didn't have any significant adverse information recorded against him, appeared to be maintaining his existing credit commitments relatively well and he said that he was living at home with parents, there is a reasonable argument for saying that BMF's checks were reasonable and proportionate. However, I do think it would have been prudent for BMF to have found out more about Mr C's regular living expenses, particularly as his income doesn't appear to have been verified or cross-checked.

As BMF should have done more, I've gone on to decide what I think BMF is more likely than not to have seen had it done that here. As previously explained, given the circumstances here, I would have expected BMF to have had a reasonable understanding about Mr C's regular living expenses as well as his income and existing credit commitments.

I've considered the information Mr C has provided. I wish to make it clear that I'm not going to forensically re-underwrite Mr C's application. I say this particularly as Mr C's most recent submissions are being made in support of a claim for compensation and any explanations he would have provided at the time are more likely to have been with a view to persuading BMF to lend, rather than highlighting any unaffordability.

As this is the case, I'm simply going to try and get some idea of what BMF is likely to have found out about Mr C's living expenses had it done proportionate checks. I say this because when the identifiable actual payments Mr C was making towards his living costs, shown on the bank statements he's provided, are added to his active credit commitments and then deducted from his income, he, at the time at least, appears to have enough left over to repay this agreement.

In these circumstances, I don't think that BMF carrying out further checks is likely to have led it to conclude that when Mr C'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 accept that Mr C 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. For example, I've seen he's said that he took out cash withdrawals on a credit card and this strongly suggests that he may have been struggling with cash flow.

However, BMF did not receive that level of detail on the credit checks it carried out. Secondly, I don't agree that the cash withdrawals in themselves – particularly given Mr C had no significant adverse information recorded against him, he had little in the way of actual regular living costs and the current account balance he had – necessarily indicates that he was struggling in the way that he's argued either.

Overall and having carefully considered everything, while I'm not persuaded that BMF's checks before entering into this hire-purchase agreement with Mr C did go far enough, I'm satisfied that BMF doing more won't have stopped it from providing these funds, or entering into this agreement with him.

In reaching this conclusion I've also considered whether the lending relationship between BMF and Mr C might have been unfair to Mr C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think BMF irresponsibly lent to Mr C or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate that this will be disappointing for Mr C. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 December 2024.

Jeshen Narayanan
Ombudsman