

## **The complaint**

Mr B 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 checks.

## **What happened**

In January 2019, Blue Motor provided Mr B with a hire purchase agreement for a used car through a credit intermediary. The cash price for the vehicle was £5,990 and Mr B paid a £1,000 deposit. The total amount of credit advanced was £4,990 with £3,502.80 of interest, fees and charges. With a total to repay including the deposit of £9,492.80. Mr B was due to make 59 payments of £141.38 followed by a final payment of £151.38. The agreement had an APR of 25.89%.

Blue Motor’s statement of account shows the hire purchase agreement was settled in April 2023.

Blue Motor issued a final response letter about Mr B’s complaint in January 2024, and it didn’t uphold it. Mr B’s representative then referred the complaint to the Financial Ombudsman.

Mr B’s complaint was considered by an investigator who thought that, given the lack of expenditure information gathered and the credit file showing adverse payments, Blue Motor ought to have done further checks before it lent to Mr B. Had Blue Motor undertaken further checks into Mr B’s income and his regular monthly expenditure it would’ve likely concluded he was in a position to afford the loan.

Mr B’s representatives disagreed with the investigator’s findings and in summary said.

- The agreement put Mr B under considerable financial strain.
- Mr B had significant debts and was using his overdraft.
- Blue Motor hadn’t taken account of Mr B’s existing financial pressures before it granted the loan.

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 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.

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 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.

The information supplied by Blue Motor, shows Mr B was a 'Director' and earned £33,600 per year. But no verification or other checks into Mr B's income were carried out at this time.

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 Blue Motor was given any indication that Mr B was or was likely having financial difficulties at the time the agreement was granted.

Blue Motor discovered eight active credit accounts including two current accounts where Mr B was almost fully utilising his combined overdraft limits of £7,500. But all bar one of his active accounts had been well maintained without any adverse payment information including two hire purchase agreements.

However, Blue Motor was told that Mr B had defaulted on an account in June 2018 and the results also showed that another account Mr B had was in arrears as well – indicating that he'd not made the required payments for the previous four months. So, there were some indicators that perhaps Mr B's difficulties that led to the default being applied had continued.

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 B's income and it doesn't seem to have had an idea of Mr B's actual everyday living costs. Given the recent adverse information ought to have led Blue Motor to look more closely at Mr B's finances and at the very, least understand what Mr B's actual monthly outgoings were.

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

In relation to Mr B's income, I can see that there isn't a set pattern or amount that he would receive each week. The amounts do vary, but the investigator said the average across the months they saw was about £2,550.

Of course, Mr B was self-employed and so he would be expected to pay some tax on this income, but even taking that into account his income would've still be likely around £2,200 per month. Which is the amount Blue Motor would've likely seen had it made further enquires with Mr B about his income.

I can see from the statements living costs for things such as rent, council tax, bank charges, subscription services and a mobile phone. There are also charges for petrol and food. The investigator said these charges came to just under £1,800 per month and having added up what I can see as well as what Mr B has told us this amount seems about right.

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 B about his living costs it would've likely concluded the finance was affordable for him.

I fully accept that Mr B 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, I can't fairly say that it would've discovered the agreement was unaffordable.

I can see that Mr B was significantly overdrawn on his main account – and of course he was being charged for that. But a customer using an overdraft, isn't solely a reason to uphold a complaint, and it isn't for Blue Motor to comment on how he may or may not be using his overdraft. If Mr B has any concerns about the overdraft these should be made to his bank.

I can see from the bank statements that Mr B was already making payments to another hire purchase provider, and he's explained that the agreement was repaid following him being involved in an accident. Mr B also said it was settled before he entered into the agreement with Blue Motor.

The credit file showed the settled agreement had been well maintained and I can see from the bank statements the settled agreement was costing Mr B more than £140 more per month than the proposed Blue Motor one. So, Blue Motor would've been aware that Mr B had successfully repaid a similar agreement which was costing more per month without any obvious difficulties.

I am therefore not upholding Mr B'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 B 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 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 21 March 2025.

Robert Walker  
**Ombudsman**