

The complaint

Mrs J complains that Blue Motor Finance Ltd was irresponsible in its lending to her. She wants all interest and charges she has paid under her hire purchase agreement refunded along with interest and any adverse information recorded on her credit file to be removed.

Mrs J is represented by a third party but for ease of reference I have referred to Mrs J throughout this decision.

What happened

Mrs J entered into a hire purchase agreement with Blue Motor Finance in July 2021. The agreement term was 60 months and Mrs J was required to pay 60 monthly instalments of around £203. The total amount repayable under the agreement was £12,188.20. Mrs J said that the lending was irresponsible and that had adequate checks been undertaken, Blue Motor Finance would have realised the lending was unaffordable for her.

Blue Motor Finance issued a final response to Mrs J's complaint dated 26 March 2024. It said that as part of her application Mrs J said she was earning £1,400 a month and required a reliable vehicle for work. It said it carried out a credit worthiness check using data from a credit reference agency and applied an affordability score to Mrs J's application. It noted that the monthly repayments due under the agreement accounted for around 14% of Mrs J's stated monthly income and it considered the repayments affordable and sustainable.

Mrs J referred her complaint to this service.

Our investigator said that she hadn't received a copy of the credit check but noted the information Blue Motor Finance had provided from this. She thought that given the length of the agreement and repayments due, it would have been proportionate for Blue Motor Finance to have carried out further checks to understand more about Mrs J's monthly committed expenditure.

Our investigator reviewed Mrs J's bank statements for the months leading up to the agreement being provided to understand what further checks would have identified. She found that Mrs J's income was lower than had been declared. She calculated Mrs J's committed expenditure and said that deducting this from her actual average monthly income didn't leave sufficient money to cover the cost of the repayments due under the agreement. Therefore, she upheld this complaint.

Mrs J confirmed that she wished to keep the car. Our investigator noted that Mrs J had paid an amount very close to the cash price of the car and so she recommended that Mrs J be allowed to keep the car once the full cash price had been paid.

Blue Motor Finance didn't agree with our investigator's view. It noted that Mrs J was co-habiting and so her bills would be shared. It said that Mrs J was transferring money between the account for which statements had been provided and another account in her name and that taking these points into account would suggest the lending to be affordable for Mrs J.

Our investigator responded to Blue Motor Finance's comments but still didn't find that Mrs J was left with enough disposable income to say the agreement would be sustainably affordable. Therefore, she said her view hadn't changed. Blue Motor Finance asked for the case to be referred to an ombudsman.

My provisional conclusions

I issued a provisional decision not upholding this complaint, the details of which are set out below.

Before the finance was provided, Blue Motor Finance gathered information about Mrs J's employment and income and her residential and marital status. Mrs J declared that she was co-habiting and an owner occupier. She said she was employed with a monthly income of £1,400. A credit check was carried out which showed that Mrs J had a mortgage (in joint names) a hire purchase agreement, a loan and credit card accounts. She also had current accounts which she was using her overdraft facilities on and communications contracts. While Mrs J's credit report didn't show any major signs of financial difficulty, she had missed recent payments on her communications contract.

While Blue Motor Finance asked Mrs J about her income, considering the agreement term and the repayments required, and the information received through her credit check, I think it would have been reasonable for Blue Motor Finance to have verified Mrs J's income and asked for further details about her expenses.

While Blue Motor Finance wasn't required to request copies of Mrs J's bank statements, I have used the information contained in these to understand what further checks would likely have identified. Looking through Mrs J's banking transactions for the three months leading up to her application (April, May and June 2021), shows her monthly average income to be slightly lower than she declared at around £1,200. From her account she was making repayments towards her existing credit commitments which included a hire purchase agreement. Looking at Mrs J's credit report, this shows that the pre-existing hire purchase agreement shown in her statements was settled at the time of this new agreement. Mrs J was also making payments of around £118 a month for a loan. There were payments for two other loans recorded in April and May 2021, but these were for short term loans and as there weren't payments in June 2021 this could suggest these had been repaid. She was also paying interest on her overdraft.

Additional to Mrs J's credit commitments, she was making payments from her account for costs such as communications contracts, insurance and general living costs such as food. These averaged around £300 a month. Mrs J had a joint mortgage and this, along with other household and general expenses, was paid from her joint account which she has said she paid £300 a month into.

Based on an average monthly income of around £1,200, credit commitments of around £150 and other committed costs of around £600 would leave Mrs J with sufficient money to meet the repayments due (around £203) on her new agreement with Blue Motor Finance. Therefore, in this case, I do not find I can say that further checks would have raised concerns about the affordability of the agreement.

I've also considered whether Blue Motor Finance acted unfairly or unreasonably in some other way given what Mrs J has complained about, including whether its relationship with Mrs J might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Blue Motor Finance lent irresponsibly to Mrs J or otherwise treated her 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.

Mrs J responded to my provisional decision saying that she had additional credit commitments that hadn't been taken into consideration. She also noted that she had an account with a debt collection company which should have raised concerns about her ability to maintain her commitments and was persistently in her overdraft.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

I set out in my provisional decision that Blue Motor Finance carried out a credit check and I find it reasonable that it relied on the information it received through this. In regard to Mrs J's outstanding commitments this showed her to have a joint mortgage, a hire purchase agreement, a loan and a credit card account as well as current accounts which she was using her overdraft facilities on and communications contracts. The credit check showed that Mrs J had no outstanding balance on her credit card and having looked at her credit report, this showed she settled her hire purchase agreement at the time this new agreement was taken out.

I included in my provisional decision an amount for Mrs J's credit commitments that reflected the amount shown in Blue Motor Finance's credit check. I note that Mrs J has referred to two additional loans. I can see they are recorded in Mrs J's credit report but as one was taken out in the same month as the Blue Motor Finance agreement and one towards end of May 2021, I find it likely these hadn't been reflected on Mrs J's credit report at the time Blue Motor Finance carried out its search. As these weren't identified in the credit report, I do not find I can say that Blue Motor Finance should have been aware of these. That said, even if credit commitments of £302 were included this still wouldn't show the agreement to be unaffordable. I accept this would leave a low amount of funds available for unforeseen costs, but as the calculation of Mrs J's costs included her living costs such as food, I do not find I have enough to say that the information provided in response to my provisional decision has changed my conclusions.

I also note Mrs J's comment about her operating in her overdraft and having an account with a debt collection company. Mrs J's credit report shows the account with the debt collection company defaulted after this agreement was taken out. The credit check carried out by Blue Motor Finance didn't record any recent defaults or issues with how Mrs J was managing her account. While Mrs J was making use of her overdraft, I do not find this was enough, given the other information available, to say that the lending shouldn't have been provided.

For the reasons set out above, and as I explained in my provisional decision, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 14 March 2025.

Jane Archer
Ombudsman