

## **The complaint**

Mr M says Blue Motor Finance Ltd ('Blue Motor'), irresponsibly lent to him.

He says that it didn't take reasonable steps to ensure he could afford the repayments towards a hire purchase agreement to purchase a car. He says the risk and creditworthiness assessments were unsatisfactory. And he struggled to make the monthly repayments.

Mr M's complaint has been brought by a representative and I've referred to Mr M and the representatives' comments as being from Mr M for ease of reading.

## **What happened**

This complaint is about a hire purchase agreement that Mr M took out to purchase a car in November 2017. The vehicle had a retail price of £17,889 and all of this was financed. This agreement was to be repaid through 61 monthly instalments. There were 60 monthly repayments of £491.94 and then a final instalment of £641.94. If Mr M made the repayments in line with the credit agreement, he would need to repay a total of £30,168.34.

Blue Motor has confirmed that the finance has now been settled.

Mr M complained to Blue Motor saying that the affordability checks undertaken were not adequate and that he couldn't afford the lending.

Blue Motor considered this complaint, and it didn't uphold it. It thought it'd done adequate checks, which showed that Mr M could afford the lending. Mr M didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator upheld Mr M's complaint. She thought that Blue Motor should have made better checks, and if it had done this it would have seen that Mr M couldn't afford the finance. This was because his income was modest, and he didn't have enough left over to repay the finance.

Blue Motor didn't agree with the Investigator. It said that the amounts going into Mr M's bank account were a similar amount to his recorded earnings. And so, he would have enough left over to repay the finance.

There was some further correspondence, and our Investigator received some more information about Mr M's income and expenditure, via some further bank statements. But after reviewing the information, she still thought that Mr M didn't have enough left over to repay the credit sustainably.

Blue Motor still didn't agree and maintained that Mr M's income was enough to repay the lending. As no agreement has been reached this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Blue Motor complete reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the credit in a sustainable way?
  - a. if so, did Blue Motor make a fair lending decision?
  - b. if not, would reasonable and proportionate checks have shown that Mr M could sustainably repay the borrowing?
2. Did Blue Motor act unfairly or unreasonably in some other way?

And, if I determine that Blue Motor didn't act fairly and reasonably when considering Mr M's application, I'll also consider what I think is a fair way to put things right.

Did Blue Motor complete reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

The application information shows that, the broker, on behalf of Blue Motor, found out Mr M's age, that he was married, he was a council tenant, and he had no dependents.

It also found out that Mr M was employed, and he had been working for his current employer for a year. The loan documentation shows that he earned £2,400 per month but I can't see that Blue Motor verified or checked Mr M's income before it approved the loan.

Blue Motor has said it checked Mr M's credit file and applied a series of calculations that looked for signs of financial stress and to check for affordability. It's said these included looking at the amount of credit card utilisation, the total number accounts Mr M had, how he was using his credit facilities, and what his debt to income ratio was.

It said these credit file searches didn't show any problems and Mr M's finance was accepted without further investigation or underwriting.

Blue Motor has outlined the checks and calculations it said it did, but it hasn't been able to fully evidence the checks themselves. It has supplied the information it gathered from Mr M and some information from the credit reference agencies. But other than that, it isn't clear how it decided to lend to Mr M. So, I can't be certain of what it considered before lending.

And even if Blue Motor had further information it says it didn't verify Mr M's income or ask him for any information, or find out another way, about his expenditure. Mr M was committing to pay about £500 a month for about five years. So, it should have at the very least, properly determined what Mr M's income and expenditure were likely to be over this period. To be able to say the loan was sustainably repayable for him.

So, I'm not persuaded that the checks Blue Motor did were reasonable and proportionate. I think Blue Motor could have checked in more detail that this further lending wasn't likely to cause Mr M a problem going forward.

Would reasonable and proportionate checks have shown that Mr M would be able to repay the credit in a sustainable way?

I've gone on to consider what Blue Motor would likely have found out had reasonable and proportionate checks been carried out.

Blue Motor has provided the credit reference information that it obtained. Based on this information, while it's clear that Mr M had some credit when he applied for the finance with Blue Motor. The information Blue Motor has, showed that he was maintaining all the payments to this. Mr M had some historic arrears. But I don't think there is anything on this report that shows me Blue Motor should've declined his application, or that it should've been unduly concerned about his current financial position.

Mr M has also provided copies of his bank statements for several months before the lending was agreed and for a few months after this. While I wouldn't have expected Blue Motor to have asked Mr M for copies of these statements, I'm satisfied that these statements would give a good indication of what Blue Motor would likely have been made aware of, if it had asked Mr M to verify, or provide more information about, his income and committed expenditure during that specific period.

I have looked at all the information I've received. I won't detail all of it as all the parties have had sight of it, but some of the most important aspects are as follows.

The bank statements show that Mr M had a personal account, and he paid some bills from this, but he usually transferred what money he did have into a joint account with his partner and the household expenditures are mostly paid from this joint account.

Mr M said he wasn't in receipt of an income when he applied for the finance. I can't see a regular payment from an employer to him in either of the accounts. He was paid after the finance started but not in the four months before the agreement date. So, it seems reasonable to say that he wasn't working when he agreed to the finance. Mr M and his partner do receive some benefits income.

There are some signs of financial problems within the bank accounts. Mr M was using short term and high cost credit in the months running up to the finance starting. Mr M has also started a larger high cost credit loan.

Mr M had car finance with another business, into which he was paying around £250 a month. But most of the months I've seen he struggled to repay this, and the payment is made later after the direct debit fails. I appreciate that this was refinanced into the new loan, but this doesn't affect my conclusions that if he was struggling to repay this lower amount it's likely he would find a larger repayment hard to manage as well.

I can see our Investigator calculated Mr and Mrs Ms income and expenditure, and this showed that Mr and Mrs M wouldn't be able to afford the finance repayments. I don't disagree with the calculations made but I think they are less relevant than the factors I've talked about above, due to Mr M's changing situation. Most importantly that Mr M doesn't appear to have a regular income.

Blue Motor has said that the amount coming into the accounts is similar in amount to his declared income. But its calculation seems to have included the larger high cost credit loan

and what Mr M has said is student loan. I don't think these amounts can reasonably be considered income as they would have to be repaid. I don't think Mr M's income is as high as Blue Motor recorded it.

I think these factors make me believe that Mr M was struggling financially, and he was finding it difficult to pay the commitments he already had. And this is possibly because he was going through a period without a regular income. And the new finance was a relatively large payment over a long period of time.

I think these factors make it unlikely that Mr M would be able to sustainably repay the new loan. And Blue Motor would have seen this if it had made proportionate checks and so it now needs to put things right.

#### Did Blue Motor act unfairly or unreasonably in some other way?

I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome in this case.

Finally, I haven't seen anything to make me think Blue Motor acted unfairly or unreasonably in some other way.

#### **Putting things right**

Mr M made use of the credit facility Blue Motor provided, and he purchased a car with this. So, it's fair that he pays the car price. However, as Blue Motor shouldn't have approved his loan application I don't think it's fair that he should pay any interest and charges. So, Blue Motor should refund these, with interest.

Blue Motor should:

- Refund anything Mr M paid above the cash price of the car of £17,889
- Apply 8% simple yearly interest on the refund, calculated from the date Mr M made the overpayments to the date of the refund<sup>†</sup>.
- Remove all adverse entries relating to this agreement from Mr M's credit file.

<sup>†</sup>HM Revenue & Customs requires Blue Motor to take off tax from this interest. Blue Motor must give Mr M a certificate showing how much tax they've taken off if he asks for one.

#### **My final decision**

For the reasons I've explained, I uphold Mr M's complaint.

Blue Motor Finance Ltd should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 June 2025.

Andy Burlinson  
**Ombudsman**