

The complaint

Mr H complains that Blue Motor Finance Ltd ('Blue Motor') entered into a Hire Purchase agreement with him when it was unaffordable. Mr H has brought his complaint using a professional representative, but I'll refer to Mr H throughout.

What happened

In April 2022, Mr H acquired a vehicle, which cost £4,974. After paying a deposit of £497, Mr H borrowed the remaining £4,476 through a Hire Purchase agreement with Blue Motor.

The agreement was due to run for 44 months, with 44 payments of £146.24 and an optional purchase fee of £1 alongside the last of those payments. This meant the total amount payable under the agreement was £6,932.96, of which £1,958.96 was interest, fees and charges.

In May 2024, Mr H complained that adequate affordability checks weren't carried out to ensure he could afford to repay the agreement without it negatively impacting him. And after taking out the debt he struggled to maintain his other commitments and had to borrow from elsewhere to keep up with payments. He also said Blue Motor didn't treat him fairly after missing payments and struggling with the debt.

Blue Motor responded to the complaint in July 2024. It said Mr H provided his employment status and an income figure. It also did a credit check which didn't show any indications of over-indebtedness. The application was accepted as a result of these checks suggesting the monthly payment was affordable considering Mr H's stated employment and income, along with the results of the credit check conducted.

The complaint was referred to our service and it was considered by an investigator. They thought the checks completed by Blue Motor were proportionate in the circumstances and the results of these checks meant that it was reasonable for Blue Motor to conclude that the lending was affordable.

Mr H disagreed and said his income was lower and his expenditure was higher than what Blue Motor relied upon. He thought Blue Motor needed to check his bank statements and verify his financial situation further, which would've shown he didn't have enough disposable income to cover his living expenses. The investigator felt that Blue Motor wasn't required to delve so deeply into Mr H's finances, but even then the figures provided indicate that the lending would've still seemed affordable in any event.

Unhappy with this outcome, Mr H asked for the case to be reviewed by an ombudsman and it has been referred 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.

I may not comment on every point that's been raised, but I have read and considered everything that's been said. Instead I will focus on what I think are the key points to reach a fair and reasonable decision. This reflects the nature of our service which was set up to be an informal alternative to the courts. I'll make my decision based on the balance of probabilities – that means what I consider to have more likely than not happened – given the available information, including where information or evidence is missing or contradictory.

In order to reach my decision, I will first consider whether the checks were proportionate given the circumstances of the lending. If they were I will go on to consider whether Blue Motor made a fair lending decision. If they weren't I will consider what proportionate checks would've told Blue Motor.

Did Blue Motor carry out proportionate checks to ensure Mr H could make the monthly repayments to this agreement?

Before lending, Blue Motor needed to ensure it wasn't lending irresponsibly. In doing so, it had to carry out proportionate checks to establish the repayments were affordable and whether Mr H was able to repay the lending without it negatively impacting his other commitments or significantly worsening his financial situation.

There's no specific checks that lenders must carry out, but they should have been proportionate to the circumstances based on what Blue Motor knew about Mr H. You might expect checks to be more thorough for a borrower, for example, with lower income or previous debt issues. But the expectation of more detailed checks being carried out may be lower where, for example, the amount borrowed is low or the borrower has a long history of maintaining credit well. But there are no hard and fast rules and what's proportionate will vary depending on the circumstances.

I can see Blue Motor noted that Mr H was a tenant, had been with the same employer for just over six years and was earning around £22,500 a year in the role he'd declared. However, based on the evidence I've seen, it didn't ask Mr H about any of his expenditure. It also didn't seem to go to any lengths to verify or at least cross-check the income figure that Mr H declared.

Blue Motor has provided a copy of the credit check it carried out. This shows Mr H had a number of accounts, but only a few of them had active balances. The total owed on the active balances was around £950 and the monthly payments due were roughly £44 - along with a utility payment of around £50.

All of these accounts were up to date, and older settled or inactive accounts didn't have any missing payments either. So, in and of itself, there weren't any obvious signs of financial hardship here or problems managing the debts he had up to that point.

Blue Motor hasn't described any process relating to cross-checking Mr H's actual monthly income and whether this was sufficient to cover his committed expenditure. It has outlined some form of automated approval process, and has alluded to some aspects of that assessment, but none of the results or parameters of this have been laid out in such a way that satisfies me that it knew enough such that it could reasonably conclude that the monthly repayments were affordable for Mr H. So I'm not persuaded that a reasonable and proportionate assessment took place.

Without any attempt to cross-check Mr H's income, it's difficult to agree there was enough information to conclude that Mr H would obviously have had enough income to meet his living costs, which didn't feature in the credit search conducted, for a period of nearly four

years. Relying solely on a credit check in these circumstances was not a proportionate means of establishing Mr H's ability to make repayments for the lifetime of the agreement.

What would proportionate checks more likely than not have shown?

The figures relied on by Blue Motor indicate that Mr H's declared income was roughly £1,600 per month. Mr H said his income wasn't regularly over £1,600 and he had rent and utility payments which hadn't been taken into account.

The evidence I've seen doesn't give an absolutely consistent record of income payments. But the figures given by Mr H indicate a total average income of around £1,400 per month. Had Blue Motor cross-checked or verified Mr H's income, as I'm satisfied it ought to have done here, I'm satisfied it would've found Mr H's income was at least roughly £1,400.

And in those circumstances, given Blue Motor knew Mr H was a tenant, it should have established what his rental payments were each month – and factoring in any other regular commitments that might impact Mr H's ability to reliably make the repayments under the agreement.

As pointed out by the investigator, the figures provided by Mr H also indicate that after the monthly payments Mr H would, on average, still have had some disposable income. This is consistent with what I have seen in Mr H's bank statements, which indicate that Mr H would still have had disposable income even after the monthly payment for this agreement was taken into account.

In any event, this is including all of Mr H's expenditure and using his bank statements, which Blue Motor didn't need to request. So I don't think it would have known about and been able to account for all of the transactions that took place on Mr H's account in this level of depth.

I'm satisfied that the level of checks that would've been reasonable and proportionate in the circumstances would've told Blue Motor that Mr H earned roughly £1,400 per month on average and after paying his current regular commitments and the monthly payment for this agreement, he'd still have a reasonable amount of disposable income. So I think it is more likely than not that a reasonable and proportionate check would have led to Blue Motor finding the monthly payments to the agreement to be affordable for him.

Did Blue Motor treat Mr H unfairly in any other way?

I can see two payments were missed mid-2023, just over a year after the agreement commenced. Contact notes soon after that show that Mr H said he was struggling to keep up with payments and a short term payment arrangement was put in place in August 2023.

It seems this didn't bring Mr H up to date with his payments because further arrears letters were sent throughout 2023. Mr H missed a further payment in January 2024, and then from June 2024 to January 2025, six more direct debits were returned.

I can see further arrears letters were sent during this time and Blue Motor tried to contact Mr H. But I can't see any further action was taken. Nor can I see Mr H making any real contact in order to discuss his situation further.

I've not seen evidence of Blue Motor failing to provide adequate help and support. If there's an outstanding debt and Mr H now contacts Blue Motor about this, then I remind it of the need to respond with due consideration and forbearance.

It does seem as though Mr H did struggle to keep up with repayments, but I haven't seen any evidence to indicate that this was the result of Blue Motor treating him unfairly or that it treated him unfairly after this happened.

In reaching my conclusions, I've also considered whether the lending relationship between Blue Motor and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Blue Motor irresponsibly lent to Mr H 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.

My final decision

My final decision is that I don't uphold Mr H's complaint against Blue Motor Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 July 2025.

Scott Walker
Ombudsman