

Complaint

Mr H 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 May 2019, BMF provided Mr H with finance for a used car. The purchase price of the vehicle was £25,995.00. Mr H paid a deposit of £2,000.00 (which was made up of a part exchange value for his old vehicle) and entered into a hire-purchase agreement, which had a 61-month term, with BMF for the remaining £23,995.00 he needed to complete his purchase.

The loan had interest and charges of £4,816.70 (which was made up of interest of £4,187.00, a credit acceptance fee (A) of £469.70, a credit acceptance (B) fee of £150 and an option to purchase fee of £10). All of this meant that the balance to be repaid of £28,811.70 (which does not include Mr H’s deposit) was due to be repaid in 60 monthly instalments of £469.70 followed by a final monthly payment of £629.70.

The agreement ran to term and Mr H made his final payment in June 2024. A few months later, in December 2024, Mr H 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. She didn’t think that BMF had done anything wrong or treated Mr H unfairly. So she didn’t recommend that Mr H’s complaint should be upheld.

Mr H 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 H’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr H’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 H 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 H provided details of his employer and monthly income. It says it also carried out credit searches on Mr H which didn't show any significant adverse information such as defaulted accounts or County Court Judgments ("CCJ") recorded against him. Furthermore, the amount of credit Mr H had in relation to his income was low and Mr H was maintaining this well.

In BMF's view, when reasonable repayments towards the amount Mr H already owed plus a reasonable amount for Mr H's living expenses (based on average data) were deducted from what it believed to be his monthly income, the monthly payments for this agreement were affordable for him.

On the other hand, Mr H 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 H and BMF have said.

The first thing for me to say is that I don't think that the checks BMF carried out did go far enough. I don't think it was reasonable to rely on estimates or assumptions of Mr H's living costs, based on statistical data, given that it hasn't supported what it has said about cross-checking Mr H's declaration of income. In these circumstances, I think it would have been prudent for BMF to have found out more about Mr H's regular living expenses.

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 H's regular living expenses as well as his income and existing credit commitments.

Having reviewed the information Mr H has provided, it seems to me that when the identifiable actual payments Mr H was making towards his living costs 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.

I note that Mr H has carried out his own line-by-line analysis of his bank account transactions and in his view he didn't have enough left over for emergencies once the payments to this agreement was deducted from his disposable income. However, Mr H's analysis has been carried out with the use of bank account transaction data and this includes all of his expenditure. In these circumstances, I don't think that the amount Mr H had left over means that it was unreasonable for BMF to have lent to him.

I also have to keep in mind that Mr H's most recent submissions are being made in support of a claim for compensation and any explanations Mr H 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. So I think it unlikely that Mr H would have volunteered that he had the level of expenditure he's now referring to, particularly as BMF wasn't required to request bank statements, or bank account transaction data, in the first place.

For the sake of completeness, I would also add that while this isn't in itself determinative, it's worth noting that Mr H made all of his payments on this agreement as and when they fell due. Therefore, Mr H's repayment record and actions do tend to support the fact that this agreement was affordable for him.

In reaching my conclusions, I've also considered whether the lending relationship between BMF 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 BMF 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.

Overall and having carefully considered everything, while I'm not persuaded that BMF's checks before entering into this hire-purchase agreement with Mr H 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. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr H. 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 July 2025.

Jeshen Narayanan
Ombudsman