

The complaint

Mr V complains through a representative that Blue Motor Finance Ltd (“Blue Motor”) gave him a hire purchase agreement without carrying out sufficient affordability checks. Had it made better checks, Blue Motor would’ve seen he couldn’t afford the repayments.

What happened

In April 2019, Blue Motor provided Mr V with a hire purchase agreement. The cash price for the vehicle was £7,950 and Mr V didn’t make an advanced payment towards this agreement. The total amount of interest, fees and charges was £4,030.5 with a total to repay of £11,980.58. Mr V was due to make 60 payments of £193.78 followed by a final payment of £353.78. The agreement had an APR of 18.37%.

Blue Motor’s statement of account shows that as of February 2024, an outstanding balance remains due but its possible the agreement has since been repaid.

Blue Motor issued a final response letter about Mr V’s complaint in February 2024, and it didn’t uphold it because it considered it had undertaken proportionate checks before lending. Mr V’s representative then referred the complaint to the Financial Ombudsman.

Mr V’s complaint was considered by an investigator, and they didn’t uphold the complaint. They said further checks were needed because the credit search results indicated that perhaps Mr V may have had recent financial difficulties. But, based on the information provided, had further checks been made Blue Motor would’ve still lent to him.

Mr V’s representatives’ disagreed and in summary said.

- At the time of borrowing Mr V was using payday loans – and these loans are a sign of financial hardship.
- The bank statements show Mr V was struggling because there were numerous returned direct debit payments.
- The agreement wasn’t affordable because Mr V had problems repaying and there was a repossession notice issued in 2020.

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 V’s complaint. Having carefully thought about everything I’ve been provided with, I’m not upholding Mr V’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 V 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.

Blue Motor as part of the application process took details of Mr V's income which he declared was £23,750 per year. It doesn't seem that Blue Motor took steps to verify or cross check whether what Mr V had declared was accurate.

It also knew that Mr V was "*Living with Parents*" and had lived at the same address for over 26 years. But it doesn't seem, at least from the information that I've been provided with, that Blue Motor knew how much, if anything that Mr V may have been paying.

Blue Motor conducted a credit search before granting the agreement and it has provided a copy of the results. I've considered these in order to see whether Blue Motor was given any indication that Mr V was or was likely having financial difficulties at the time the agreement was granted.

Blue Motor was told Mr V had four active accounts, a credit card, a hire purchase (HP) agreement that was due to be settled with this agreement, a mobile phone and a current account.

The active HP agreement was costing Mr V roughly the same as this new agreement would and this had been repaid as expected – with no adverse payment markets. Mr V was using his overdraft but there was no adverse payment information and the same goes for the mobile phone account.

However, Blue Motor was told that Mr V had missed his last monthly repayment towards his credit card that took the card above the credit limit. This was the only piece of adverse information reported in the credit check data. So, while Mr V's representative has said there were multiple returned direct debits from the current account, these weren't being reported to the credit reference agency Blue Motor used so it didn't and couldn't have known about them.

The same goes for payday loans – the credit file showed no active payday loans and while Mr V had clearly used them in 2018, the last time the credit report showed that he had used one was in September 2018 – around seven months before the agreement started.

I've thought about this because Mr V's representatives have said this was a sign of financial distress. But in my view, as Mr V hadn't used any payday loans recently – I don't think Blue Motor would've concluded that he was still reliant on them at the time the agreement started.

As I've said, the only adverse payment information recorded was the recent missed credit card payment. Had this happened some months before I may well have said Blue Motor

didn't need to do any more. But given how close the missed payment was to the loan start date I do think that ought to have prompted it to carry out further checks.

I appreciate, the loan may have appeared affordable to Blue Motor but I don't think that conclusion could be fairly reached the recent adverse markers meant it ought to have dug more deeply into Mr V's monthly expenditure. Like the investigator, I do think that before the agreement was approved, Blue Motor needed to, at the very, least understand what Mr V's actual monthly outgoings were.

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

I accept that had Blue Motor conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Blue Motor conducting a proportionate check I do think it's fair and reasonable to consider statements that I now have access to. And having looked at the statements I've come to the same conclusions as the investigator for broadly the same reasons.

Firstly, the bank statements would've shown that Mr V's income wasn't as large as he declared as part of his application. His income did fluctuate slightly but was on average just about £1,050 per month. And this is something Blue Motor ought to have discovered by carrying out a proportionate check.

Mr V says he was paying his mum £200 per month for rent – although the statements show that he was paying more than this because he owed money. But I'm not persuaded that had Blue Motor looked at his monthly outgoings more closely it would've discovered this by carrying out a proportionate check.

His existing car cost were around £230 per month (insurance and HP cost) but the existing HP agreement was due to be replaced with the Blue Motor one. Plus, he had a credit card repayment of around £155 and £50 for a mobile phone.

It looks to me that his committed costs moving forward including the rent, credit card and his new agreement would be around £650 per month. On top of this there were costs for food and petrol.

But thinking about what a proportionate check may have shown Blue Motor and it didn't need to conduct a forensic review of his bank statements – I do think had it made some enquiries with Mr V about his living costs it would've likely concluded the finance was affordable for him.

I fully accept that Mr V 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 – given the limited nature of those checks and what Blue Motor may or may not have done, I can't fairly say that it would've discovered the agreement was unaffordable.

I am therefore not upholding Mr V'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 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 V 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 V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 11 July 2025.

Robert Walker
Ombudsman