

The complaint

Mr W complains BMW Financial Services (GB) Limited trading as Alpera Financial Services ('BMW') acted irresponsibly by agreeing a hire purchase agreement he couldn't afford to repay.

Mr W has also raised concerns about the role commission played in the sale of the agreement. A complaint about commission is being considered by our service under a separate complaint reference and is not the subject of this decision. This decision focusses solely on Mr W's concerns about BMW's decision to lend.

What happened

In March 2017 Mr W acquired a vehicle financed by a hire purchase agreement from BMW. The total amount repayable under the agreement – including interest and charges – was £52,535.24. This was to be repaid by 48 monthly payments of £705.88, followed by a final payment (should Mr W decide to keep the vehicle) of £16,153. The available information suggests the agreement came to an end in June 2021.

From the available evidence, it looks like Mr W initially complained – via a professional representative (PR) – to BMW about its decision to lend in February 2023¹.

As no final response had been received PR – on behalf of Mr W – referred the complaint to our service in late May 2023.

In the months that followed there appears to have been quite a bit of dialogue between our service and PR concerning this complaint. Specifically, there appears to have been some confusion around whether this complaint was a duplicate of the existing complaint (concerning commission) our service had already received.

However, the complaint was eventually progressed, and it was allocated to one of our investigators who set about gathering all the information they needed to reach their findings. It was at this time that BMW set out its response to the complaint about its decision to lend. In short, BMW did not agree with Mr W's complaint. In doing so, it said that it had carried out appropriate checks as a result of which it was satisfied Mr W *was able to afford the credit at the time of the underwriting*.

In June 2025, our investigator issued their findings in which they didn't think BMW had treated Mr W unfairly, and so they didn't recommend that the complaint be upheld. In short, our investigator did not think there was sufficient evidence to conclude reasonable and proportionate checks had been carried out, but they didn't think such checks – had they been completed – would have given BMW cause to refuse to lend.

¹ A complaint about the role commission played in the sale of the agreement had previously been raised in February 2022.

PR, on behalf of Mr W, didn't agree with the investigator's findings. PR didn't raise any additional points in doing so. As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

Having done so, I've reached the same conclusion as our investigator and for the same reasons. I understand this will come as a disappointment to Mr W. However, I'll explain why I think this is a fair outcome in the circumstances.

However, before I do, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. I've kept in this mind when deciding this complaint.

BMW needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr W could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did BMW carry out reasonable and proportionate checks to satisfy itself that Mr W was likely to have been able to repay the borrowing in a sustainable way?

- i. If BMW carried out such checks, did it lend to Mr W responsibly using the information it had?

Or

- ii. If BMW didn't carry out such checks, would appropriate checks have demonstrated that Mr W was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr W lose out as a result of BMW's decision to lend to him?

3. Did BMW act unfairly or unreasonably in some other way?

Did BMW carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr W was applying for along with the size, length and cost of the borrowing; and
- Mr W's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

Prior to agreeing to lend, BMW says it carried out an automated credit check which would have factored in information such as Mr W's credit score and existing indebtedness amongst other things. But, despite being asked, BMW hasn't provided the results it received from this check.

I note our investigator asked PR – on behalf of Mr W – for a copy of his credit report but this has not been provided. Although, in any event, as our investigator noted I am unsure if the credit report, if I had been provided, would have been of much value in determining this complaint bearing in mind the passage of time since the date of sale.

BMW has said, in Mr W's case, a manual underwriting review was also undertaken following the automated credit check. Following this manual review, it was satisfied the credit file raised no concerns. Again, the output from this manual review has not been provided.

Given the lack of information we have been provided, I can't be sure exactly what data and factors BMW considered that led it to conclude Mr W could afford to make the significant monthly repayments of £705.88 which he was expected to maintain over a period of four years. Indeed, it seems to me that BMW simply expects our service to accept Mr W's payments were affordable because its automated system – followed by a manual review – approved it.

BMW has pointed to the Explanation Document which was provided to Mr W at the point of sale and would have prompted him to declare if he was expecting a change in his financial circumstances during the life of the agreement.

I don't see how this document absolves BMW of its obligation to conduct a proportionate affordability assessment to determine whether Mr W would likely to be able to afford the finance.

With all of this in mind, like our investigator, I'm not persuaded the level of checks BMW carried out were proportionate.

I say this for two key reasons. Firstly, the loan was not insignificant both in terms of the monthly repayment and the total amount repayable. And Mr W was expected to sustainably repay the loan over a significant period of time (four years). This meant he would pay £52,535.24 when the interest on the loan was factored in. On this basis alone I think BMW needed to do more to ensure it had a proper understanding of Mr W's overall financial situation – for example some form of income verification and/or understanding about his expenditure - to be satisfied he could afford the loan sustainably throughout the term of the agreement.

Secondly, and perhaps even more fundamentally, without any other information from BMW about exactly what it gathered about Mr W's circumstances from the checks it carried out before it granted the finance, or the results of its credit search that it says that it carried out, I can't fairly or reasonably conclude that these checks were either proportionate or gave it results that ought to have led it to do further checks. And I say that notwithstanding that a deposit was paid of over £2,500.

I've thought about the overall circumstances in which the application was made and, having done so, I don't think the checks BMW carried out were reasonable and proportionate.

With that being the case, I now need to decide whether it is more likely than not that proportionate checks would have told BMW that it was unfair to enter into this agreement with Mr W.

Would reasonable and proportionate checks have demonstrated that Mr W was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown BMW in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing BMW that Mr W would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that BMW hadn't considered in March 2017.

BMW could have obtained a deeper understanding of Mr W's financial circumstances by asking for him bank statements, for example. Mr W has kindly provided bank statements covering the three months before he applied for the lending in question (i.e. December 2016 - February 2017). I'll refer to this as the 'Relevant Period'.

I accept that something that we can now see from the information Mr W has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks BMW might have decided to carry out. But, in the absence of anything else from BMW, I

don't currently think it's unreasonable to rely on Mr W's bank statements when determining what his financial circumstances were likely to have been like before he applied for this loan. However, to be clear, I've not looked at Mr W's bank statements because I think that BMW ought to have obtained them before lending to him. I've consulted Mr W's bank statements because they were readily available at this stage and they contain the information I now need to reconstruct the proportionate checks BMW should have made, but failed to carry out.

Having looked at the bank statements for the Relevant Period, I can see that Mr W received his salary, as well as income from other sources titled 'Rent'. Our investigator asked Mr W about this – he confirmed this was rent he received from people living in his property with him. As this appeared to be a regular source of income, I don't think it is unreasonable to take this income stream into account when considering Mr W's wider financial situation. On average, it looks like Mr W's overall income was around £3,200² per month.

There were a reasonable number of cash withdrawals during the Relevant Period which are difficult to account for and – owing to the passage of time – I wouldn't reasonably expect Mr W to be able to explain what these relate to. But I don't think I need this information to reach a fair and reasonable answer in this case. I say this because the bank statements do, more clearly, reveal a number of Mr W's regular committed expenditure including, amongst other things, utilities, insurances, communications, existing credit commitments and mortgage/rent, during the Relevant Period which totalled around £1,000. Adding the repayment for the loan in question (£705.88), Mr W's expenditure increases to £1,705.88. Deducting this amount from Mr W's average regular income left him with around £1,500 for food and other household/living costs.

So, regardless of what the cash withdrawals relate to, I think Mr W had sufficient income to service the loan in question and leave him with a reasonable cushion once all of the regular, committed expenditure was taken into account.

I recognise that this buffer would decrease once Mr W's obligation to pay car insurance, petrol and road tax for his new vehicle kicked in – expenses I couldn't clearly see on the bank statements prior to the lending in question – but even factoring this in I think it is likely Mr W would still have had enough money left over.

What's more, the bank statements did not reveal any other obvious signs of financial strain, such as prolonged use of an overdraft, reliance on short-term lending or returned Direct Debits.

With all of this in mind, if BMW had made further checks, as I think they should have, then I think it's unlikely it would have decided the initial lending was unaffordable or unsustainable for Mr W. So, I don't think BMW acted unfairly by agreeing to lend.

Did BMW act unfairly or unreasonably in some other way?

I've also considered whether BMW acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

² Here I've excluded transfers in from what Mr W has confirmed was his savings account. I've also excluded irregular and unidentified receipts – I've done this because I don't think BMW ought to have considered these regular and reliable streams of income as part of an affordability assessment.

However, for the reasons I've already given, I don't think BMW lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 August 2025.

Ross Phillips
Ombudsman