

## **Complaint**

Mr A complains that BMW Financial Services (GB) Limited (trading as “Alphera” Financial Services) unfairly entered into a hire purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

## **Background**

In January 2022, Alphera provided Mr A with finance for a used car. The cash price of the vehicle was £9,240.00. Mr A paid a deposit of £109.62 and entered into a 48-month hire purchase agreement with Alphera for the remaining amount he needed for this purchase.

The loan was for £9,130.38, had total interest, fees and charges of £3,228.62 and a 49-month term. This meant that the balance to be repaid of £12,359.00 (which does not include Mr A’s deposit) was due to be repaid in 48 monthly instalments of £186.25 followed by an optional final payment of £3,419.00 which Mr A had to make if he wished to keep the car at the end of the term.

Mr A’s complaint was considered by one of our investigators. He didn’t think that proportionate checks would have shown Alphera that it shouldn’t have lent to Mr A. So he didn’t think that Alphera had done anything wrong or treated Mr A unfairly and didn’t recommend that Mr A’s complaint should be upheld.

Mr A 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 A’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr A’s complaint. I’d like to explain why in a little more detail.

Alphera needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Alphera needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr A 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.

Alphera says that Mr A was proposed as employed as a working full time as a supervisor. It also suggests that various factors - such as Mr A's credit score, what he owed to other lenders, his existing indebtedness; whether he had any credit cards and/or payday loans; his employment status and the amount of the monthly payment to this agreement – were all considered before Mr A's application was accepted. This may well have been the case.

I've thought about what Mr A and Alphera have said.

Alphera has provided us with the output of its credit check. From what I can see, Mr A didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") recorded against him. Furthermore, the amount of credit Mr A already had wasn't excessive and he was replacing an existing hire-purchase agreement, which he'd made all his payments to, with this one.

That said, while I accept that Mr A appeared to be up-to-date with his existing commitments and Alphera had the details of Mr A's employer, I can't see it had any indication of what his income was. As this is the case, I can't understand how Alphera was in a position where it could reasonably understand that these payments were affordable for Mr A and I'm not satisfied that it did complete fair, reasonable and proportionate affordability checks before entering into this hire-purchase agreement with him.

As proportionate checks weren't carried out before this agreement was entered into, I can't say for sure what they would've shown. So I need to decide whether it is more likely than not that a proportionate check would have told Alphera that it was unfair to enter into this agreement with Mr A on the basis that he wouldn't be able to afford the monthly payments.

Given the amount borrowed, the monthly payments and the length of the agreement, in order for Alphera's checks to have been proportionate, I think that it would have had to have an understanding of Mr A's income, his payments to existing creditors and his regular living costs. I want to be clear in saying that this isn't the same as saying that Alphera had to obtain bank statements in order to verify all of this as how it found out about this was down to it.

Having considered everything provided, I'm not persuaded that Alphera obtaining further information from Mr A would have made a difference on its decision to lend in this instance. I say this because the information Mr A has provided about his finances at the time, on the face of things at least appears to show that when his actual committed expenditure was deducted from what he received each month, he did have the funds to sustainably make the repayments due under this agreement.

I also have to consider that Mr A's most recent submissions are being made in support of a claim for compensation and what I need to decide here is what Mr A is likely to have disclosed to Alphera should it have posed further questions about his financial circumstances.

With this in mind I think that any explanations he would have provided at the time are more likely to have been with a view to persuading Alphera to lend, rather than highlighting any unaffordability. And, in these circumstances, I think it is unlikely that Mr A would have sought to show Alphera that these repayments were unaffordable in circumstances where proportionate checks are unlikely to have shown that this was the case.

I also note that Mr A has since been in touch with Alphera to ask whether he might be able to reduce his monthly payments as his expenditure has increased in the period since he took this agreement. Having reviewed the information provided, I can see that Alphera considered Mr A's request, after obtaining further information from him, and offered to temporarily reduce his monthly payments.

However, Mr A subsequently refused the option of lower repayments and has continued to make his contracted monthly payments on time. As Mr A refused Alphera's offer of a repayment plan and has remained up to date with his repayments, I don't think that Alphera was in a position where it could impose a payment plan. Equally, I'm satisfied that it took steps to find a proportionate solution after Mr A had said that his circumstances had changed too.

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

However, for the reasons I've explained, I don't think Alphera irresponsibly lent to Mr A or otherwise treated him unfairly in relation to this matter. 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.

Overall and having carefully considered everything, I've not been provided with sufficient evidence which satisfies me that Alphera's checks before entering into this hire purchase agreement with Mr A did go far enough.

Nonetheless, I'm satisfied that had Alphera carried out reasonable and proportionate checks, as it ought to have done, this won't have stopped it from providing these funds, or entering into this hire purchase agreement with Mr A. I appreciate that this will be disappointing for Mr A. 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 A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 November 2025.

Jeshen Narayanan  
**Ombudsman**