

Complaint

Mr M 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 and so his application for it shouldn’t have been accepted.

Background

In September 2020, Alphera provided Mr M with finance for a used car. The cash price of the vehicle was £12,428.00. Mr M paid a deposit of £100, received a part-exchange value of £700 for his existing car and entered into a 48-month hire purchase agreement with Alphera for the remaining amount needed for the purchase.

The loan was for £11,628.00, had total interest, fees and charges of £1,900.51 (made up of interest of £1,899.51 and a £1 option to purchase fee) and a 48-month term. This meant that the balance to be repaid of £13,528.51 (which does not include Mr M’s deposit and part-exchange value) was due to be repaid in 47 monthly instalments of £183.33 followed by an optional final payment of £4,912.00 which Mr M had to make if he wished to keep the car at the end of the term.

In April 2024, Mr M settled the agreement. This was ahead of the date the finance was due to end, which was September 2024. Mr M then complained that he shouldn’t have been provided with the agreement in January 2025.

Mr M’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 M. So he didn’t think that Alphera had done anything wrong or treated Mr M unfairly and didn’t recommend that Mr M’s complaint should be upheld.

Mr M 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 M’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr M’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 M 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 suggests that various factors - such as Mr M'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 M's application was accepted. This may well have been the case but it hasn't provided us with the specific of what it learned about Mr M particular circumstances.

As Alphera hasn't provided us with the output of what it was that it learnt about Mr M or the actual data which it relied upon to determine that the payments to this agreement were affordable for him. So I don't actually know what it was that Alphera relied upon to reach the conclusion that this agreement was affordable for Mr M.

In these circumstances, I'm simply not in a position to agree that Alphera has provided sufficient evidence to demonstrate that it did take reasonable steps to understand whether Mr M could afford the monthly payments. So I'm not satisfied that it did complete fair, reasonable and proportionate affordability checks before entering into this hire-purchase agreement with Mr M.

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 M 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 M'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.

I wish to be clear in saying that I'm not going to use the information Mr M has provided to carry out a forensic analysis of whether the repayments to his agreement were affordable. I say this particularly as Mr M's most recent submissions are being made in support of a claim for compensation and I need to keep in mind 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.

Equally, what Alphera needed to do was supplement the information it likely had on Mr M's credit commitments, which the credit file information Mr M has provided shows was low, with some further information on his actual living costs. Having looked at the information Mr M has provided this shows that his living costs were low and that when his committed regular living expenses and existing credit commitments were deducted from his monthly income he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that Mr M's actual circumstances at the time were worse than what the information about his committed living costs and existing commitments to credit shows. Having looked at the copies of the bank statements Mr M has provided, I can see significant additional spending. It's possible – but by no means certain – that Alphera might have decided against lending to Mr M had it seen this.

However, given the circumstances here, what I need to think about here is what were Mr M's actual committed living costs and what were his existing regular credit commitments? – given this was a first agreement and Mr M was being provided with a car, rather than cash, which he would not have been able to spend in any other way.

Having considered everything provided, I'm not persuaded that Alphera obtaining further information from Mr M would have made a difference on its decision to lend in this instance. I say this because the information Mr M has provided, 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.

In my view, proportionate checks certainly wouldn't have gone into the level of granularity whereby Alphera ought reasonably to have requested bank statements. His credit record at the time was stable – the amount he owed was low and he didn't have any significant adverse information, such as defaults or county court judgments ("CCJ"), recorded against him and this was reflected in the low interest rate of 5.8% APR that he received.

So I can't see how or why Alphera could be expected to have picked up on Mr M's additional spending. I also think that it is unlikely – and certainly less likely than not – that Mr M made any attempt to disclose this at the time, or that Alphera knew or ought to have known about this.

In reaching my conclusions, I've also considered whether the lending relationship between Alphera and Mr M might have been unfair to Mr M 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 M 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. And I'm not upholding this complaint.

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 M 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 M.

So I'm satisfied that Alphera didn't act unfairly or unreasonably towards Mr M and as a result I'm not upholding his complaint. I appreciate that this will be disappointing for Mr M. 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 M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 December 2025.

Jeshen Narayanan
Ombudsman