

Complaint

Ms H complains that Blue Motor Finance Ltd (“BMF”) unfairly entered into a hire-purchase agreement with her. She’s said the monthly payments to the agreement were unaffordable and so she shouldn’t have been accepted for it.

Background

In November 2021, BMF provided Ms H with finance for a used car. The cash price of the vehicle was £16,500.00. Ms H paid a deposit of £1,000.00 and entered into a 60-month hire-purchase agreement with BMF for the remaining £15,500.00 she required.

The loan had interest, fees and total charges of £5,279.60 (made up of interest of £5,288.60, and an option fee to purchase fee of £1, which needed to be paid if Ms H exercised her option to purchase the vehicle) at the end of the term. So the balance to be repaid of £20,779.60 (which doesn’t include Ms H’s deposit) was due to be repaid in 59 monthly instalments of £346.31 followed by a final repayment of £347.31.

Ms H’s complaint was considered by one of our investigators. She reached the conclusion that proportionate checks wouldn’t have shown BMF that it shouldn’t have entered into this agreement with Ms H. So she didn’t recommend that Ms H’s complaint should be upheld.

Ms H didn’t agree 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 Ms H’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Ms 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 Ms H could make her payments in a sustainable manner before agreeing to lend to her. And if the checks BMF carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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.

BMF has said that it obtained details of Ms H's employer and her income as well as carried out credit checks. These credit checks showed that Ms H didn't have any county court judgments ("CCJ") recorded against her. However, she had previously defaulted on a credit commitment although as this had taken place more than 12 months prior to this application, BMF considered this to be historic.

Having considered the information BMF has provided, I can see that it relied heavily on Ms H's existing credit commitments being met. But just because Ms H didn't have any adverse information recorded against her, this doesn't in itself mean she could take on more credit.

Furthermore, I can't see that BMF took any steps to understand what Ms H's monthly living costs were before agreeing to lend to her. Given BMF can't show me that it took steps to understand Ms H's living costs, I can't see how it could have determined that these costs wouldn't have resulted in the monthly payments being unaffordable. In these circumstances, I don't agree that BMF's checks before it agreed to lend to Ms H were reasonable and proportionate.

As I've explained, given the circumstances here, I would have expected BMF to have had a reasonable understanding about Ms H's regular living expenses as well as her income and existing credit commitments.

While I've looked at the bank statements Ms H has provided in order to do this, I've done this because I'm having to retrospectively determine what a proportionate check is likely to have looked like at this late stage. And bank statements have all the information I now need to do this. However, I wish to make it clear that BMF was not required to review Ms H's bank statements prior to lending.

In any event, the bank statements provided do appear to show that when Ms H's committed regular living expenses are added to what BMF knew about her existing credit commitments and then deducted from the funds going into her account, there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due under this agreement.

I've noted that Ms H has now carried out a line-by-line analysis of her bank statements and has reached the view that she didn't have enough left over for emergencies once the payments to this agreement was deducted from her disposable income. The first thing for me to say is that Ms H's analysis has been carried out with the use of bank statements and this includes all of her major expenditure.

I also have to keep in mind that Ms H's most recent submissions are being made in support of a claim for compensation and any explanations Ms 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.

Therefore, I think that it is unlikely – and certainly less likely than not – that Ms H would have volunteered that she shouldn't have been lent to as she wouldn't have enough for emergencies in the way she now argues, had BMF asked or found out more about her regular living expenses. This is particularly as BMF wasn't required to request bank

statements from her in the first place and Ms H was paying a cash deposit of £1,000.00 as part of this transaction.

So having carefully considered everything, I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Ms H could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that BMF would have declined to lend if it had found out the further information that I think it needed to here.

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

However, for the reasons I've explained, I'm currently minded to conclude that BMF did not irresponsibly lend to Ms H or otherwise treat her 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.

Overall and having carefully considered everything, while I don't think that BMF's checks before entering into this hire-purchase agreement with Ms H did go far enough, I'm not persuaded that reasonable and proportionate checks would have prevented BMF from providing these funds, or entering into this agreement with her. And I'm not upholding this complaint. I appreciate that this will be very disappointing for Ms H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Ms H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 3 November 2025.

Jeshen Narayanan
Ombudsman