

The complaint

Miss H complains that a hire purchase agreement with Blue Motor Finance Limited, under which a car was supplied to her, was unaffordable for her and that it was irresponsible for it to have provided the credit to her. She's being represented in her complaint by a legal adviser.

What happened

A used car was supplied to Miss H under a hire purchase agreement with Blue Motor Finance that she electronically signed in February 2020. The price of the car was £10,356 and Miss H agreed to make 60 monthly payments of £254.49 to Blue Motor Finance. Miss H's representative complained to Blue Motor Finance about the hire purchase agreement and it responded to the complaint in August 2024, but didn't uphold it as it said that proportionate affordability checks were carried out.

The complaint was then referred to this service. The hire purchase agreement was settled in March 2025 and Miss H's complaint was then looked at by one of this service's investigators who, having considered everything, didn't think that Blue Motor Finance had acted fairly. She said that without further evidence on the amounts used in the affordability assessment and the amount of disposable income calculated, she wasn't able to conclude that the checks carried out were reasonable and proportionate. She looked at Miss H's bank statements for the three months before she entered into the hire purchase agreement and calculated that Miss H would've been left with no disposable income, so the lending wouldn't have been affordable or sustainable and Blue Motor Finance hadn't made a fair decision to lend. She recommended that Blue Motor Finance should refund to Miss H any payments made towards the agreement in excess of £10,356, with interest on any overpayments, and remove any adverse information recorded on Miss H's credit file regarding the agreement.

Miss H has accepted the investigator's recommendation, but Blue Motor Finance has asked for this complaint to be considered by an ombudsman. It says that it had a copy of Miss H's bank statement that it used to verify her income and it was able to make a fully informed decision on her circumstances before agreeing to lend. It says that it used Miss H's bureau data which shows any negative history, with the bank statement which shows her income and outgoings, and it was all manually checked by an underwriter before lending was agreed.

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.

Miss H applied to Blue Motor Finance for credit to pay for a used car to be supplied to her. Blue Motor Finance says that Miss H informed the dealer of her employment status and income. It says that it made a creditworthiness check and applied an affordability score and a series of policy rules, and the monthly payment was considered affordable and sustainable. Blue Motor Finance's records show that Miss H's employment income was £1,333, but the bank statement that it had obtained from her for the month before she

entered into the hire purchase agreement only shows employment income of £1,070.30 and child benefit payments of £82.80.

Blue Motor Finance has provided a summary of its creditworthiness check which shows that Miss H had eleven active credit accounts and recent adverse credit data. Blue Motor Finance was required to make reasonable and proportionate checks to ensure that any credit to be provided to Miss H was sustainably affordable for her before entering into the hire purchase agreement. As the employment income shown on Miss H's bank statement was significantly lower than the information that it says that she'd provided to the dealer, and because of the adverse information on Miss H's credit file, I consider that reasonable and proportionate checks for the credit to be provided to Miss H would have required Blue Motor Finance to have obtained a detailed understanding of her financial situation. Miss H was agreeing to make a monthly payment of £254.49 for five years and I don't consider that the checks that Blue Motor Finance made were reasonable and proportionate in those circumstances, so I've considered what Blue Motor Finance was likely to have discovered if it had made reasonable and proportionate checks.

Miss H's representative has provided copies of Miss H's bank statements and the investigator looked at the statements for the three months before the lending. Blue Motor Finance wasn't required to ask for, or to review, those bank statements as it could have obtained information about Miss H's income and expenditure in other ways, but the statements are a good source of information about Miss H's income and expenditure.

The investigator calculated that Miss H's average monthly income was £1,979.67, which was made up of benefit payments and salary, but having looked at those statements, I consider that her income was likely to have been significantly less than that. Miss H says that her employment income was about £1,000 each month and she received benefit payments of £320 each month. It looks to me that Miss H's average monthly income from employment and benefits in that period would have been about £936, but she also received a payment each month of about £1,000 for bills and rent.

The investigator calculated that Miss H's monthly living costs were about £1,503 and that she paid about £625 each month for her existing credit commitments. She said that, after making the monthly loan repayment of £254.49, Miss H would be left with no disposable income. Even using the monthly income of £1,333 that's shown in Blue Motor Finance's records and adding the £1,000 that Miss H received for rent and bills, she would have been left with only £205 after paying for her living costs and her existing credit commitments, and that's less than the monthly payment under the hire purchase agreement.

I consider that, if it had made reasonable and proportionate checks, Blue Motor Finance was likely to have seen that a hire purchase agreement with a monthly payment of £254.49 wasn't sustainably affordable for Miss H, so it shouldn't have provided the credit to her. As I don't consider that Blue Motor Finance should have provided the credit to Miss H, I don't consider that it's fair or reasonable for it to have charged any interest or fees under the hire purchase agreement. I consider that Miss H should only have to pay the price of the car, which was £10,356, and that anything that she's paid in excess of that should be refunded to her as an overpayment.

I've also considered whether Blue Motor Finance acted unfairly or unreasonably in some other way, including whether its relationship with Miss H might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Miss H's complaint for the reasons given above, I don't consider that I need to make a finding on that. I consider that the actions that I've described below result in fair compensation for Miss H in the circumstances of this complaint, and I'm not persuaded that it would be fair or reasonable for me to require Blue Motor Finance to take any actions, other than as described below.

Putting things right

I find that it would be fair and reasonable in these circumstances for Blue Motor Finance to refund to Miss H any payments that she made to it under the hire purchase agreement that exceed £10,356, with interest at an annual rate of 8% simple from the date of each overpayment to the date of settlement. HM Revenue & Customs requires Blue Motor Finance to deduct tax from that interest payment. Blue Motor Finance must give Miss H a certificate showing how much tax it's deducted if she asks it for one.

I find that it would also be fair and reasonable for Blue Motor Finance to ensure that any adverse information about the hire purchase agreement that it's reported to the credit reference agencies is removed from Miss H's credit file.

My final decision

My decision is that I uphold Miss H's complaint and order Blue Motor Finance Limited to take the actions described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 25 December 2025.

Jarrod Hastings
Ombudsman