

## **The complaint**

Mr H complains through a representative that BMW Financial Services (GB) Limited trading as ALPHERA Financial Services (“Alphera”) failed to conduct adequate affordability checks before it lent to him.

## **What happened**

In June 2020, Alphera provided Mr H with a hire purchase agreement for a new car through a credit intermediary. The car had a retail price of £19,900 and Mr H part exchanged his existing vehicle which led to a £2,200 deposit. This led to £17,790 being financed. The agreement had interest, fees and charges totalling £4,257 – with a total to repay, including the deposit of £24,247. This agreement was to be repaid in 47 monthly repayments of £268.59 followed by a final optional payment of £9,423.27. The statement of account shows the agreement was repaid in May 2021.

Alphera didn’t initially provide the final response letter and so Mr H referred the complaint to the Financial Ombudsman. It’s worth noting that in the final response, which was issued, Alphera didn’t uphold the complaint.

Mr H’s complaint was considered by an Investigator, who in their latest assessment didn’t uphold the complaint. The Investigator concluded Alphera needed to do further checks before lending. However, had Alphera carried out further checks into Mr H’s income and expenditure it still would’ve lent to him.

Mr H’s representative disagreed saying the income and expenditure checks it has carried out showed the finance wasn’t affordable. These comments didn’t change the Investigator’s assessment and so 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.

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 H’s complaint. Having carefully thought about everything I’ve been provided with, I’m not upholding Mr H’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 Alphera needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr H 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 has said it carried out a number of automated checks including considering Mr H's credit score, employment status, vehicle and deposit. Alphera has explained that should Mr H's application fail the automated process a manual review would then be undertaken. However, in this complaint, Mr H's application passed Alphera's automated checks and so it was content to lend.

As part of the application Alphera knew that Mr H worked full time, but it doesn't look like Alphera took details of Mr H's income or any details of his likely monthly expenditure. It is of course possible Alphera did obtain this information, but if it did, it hasn't provided the Financial Ombudsman with the results.

As part of this process, Alphera conducted a credit search and the results have been provided. The results showed Mr H had five active accounts including two credit cards, a bank account, a loan and an existing hire purchase agreement that was going to be ended once this Alphera agreement started.

All of the active accounts had been paid as expected with no missed payment markers – or any other types of insolvency. The same goes for the three satisfied accounts Alphera was provided with. There was no indication from the credit search results that Mr H was having or likely having financial difficulties.

Alphera was entitled to take on board previous repayment history and as I've said Mr H had an existing agreement costing £135 per month which had been paid as expected and although this agreement was to cost Mr H around £130 per month, I still nonetheless think Alphera would've seen this as a positive indicator.

I can't be sure exactly what other data and factors Alphera considered – beyond the credit check to lead it to conclude Mr H could afford to make the monthly payments approaching £267 a month. Indeed, it seems to me that Alphera simply expects us to accept Mr H's payments were affordable because its affordability process was followed.

I've thought about all of this – but I don't think I can fairly or reasonably conclude the checks Alphera carried out were proportionate. I say this bearing in mind it didn't as far as I'm aware have any idea of what if any income he received and what his non-discretionary monthly outgoings were. So, Alphera's checks needed to go further.

Alphera could've gone about making more detailed checks a number of ways, it could've simply asked Mr H about his other non-discretionary living costs, asked for evidence from Mr H about his bills, or any other documentation it felt it may have needed. Or, as I've done here reviewed the bank statements Mr H has provided.

This didn't, and doesn't mean that, Alphera had to undertake a full financial review of Mr H's circumstances – such as reviewing every transaction that Mr H was making from his account, merely it just needed to obtain an idea of what his living costs were. And I want to be clear that a line-by-line review of Mr H's bank statements wouldn't have been proportionate.

I accept had Alphera conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Alphera conducting a proportionate check I do think it's fair and reasonable to consider statements that I now have access to.

I would add that Alphaera was already aware other credit commitment costs, so I think any check that it may have needed to have done needed to have extended to asking Mr H about his other non-discretionary monthly costs and his income.

In terms of income, I can see that Mr H, on average, received about £2,400 per month into his account. On balance, had Alphaera made further checks into Mr H's income it would've likely discovered this.

In terms of outgoings, I've seen the same sort of regular transactions that the investigator highlighted in their assessment – including things such as rent, council tax, food and utilities – to name a few. Looking solely at these costs while there is some fluctuation – around £1,600 per month to cover these costs is reasonable.

On top of this there was the known credit commitment costs – including the payment to the existing car finance agreement. But even with these known costs – Alphaera would've likely concluded the finance was affordable.

I've also thought about the income and expenditure information provided by Mr H's representatives. But its own submissions along with what Mr H has told us shows one of those payments was an annual cost for Mr H's fuel – so I wouldn't be expected that to be paid each month. And one of the other costs was an existing hire purchase agreement that appeared to have ended when this agreement started – so moving forward Mr H wouldn't have that to pay this. As such, even if I used Mr H's representatives income and expenditure information than the agreement still looked affordable.

Alphaera would've reasonably concluded that with the loan payment, the credit commitment costs and the costs that I've detailed above that Mr H's outgoings would've left sufficient disposable income to be able to afford the payments he was committed to making to this agreement. I therefore do not uphold the complaint.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Alphaera lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons outlined above, I am not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 January 2026.

Robert Walker  
**Ombudsman**