

The complaint

Miss W says Blue Motor Finance Ltd ('Blue Motor') irresponsibly lent to her. She says it didn't take reasonable steps to ensure she could afford the repayments towards a hire purchase agreement to purchase a car. She says that if it had made better checks, it would have seen that it wasn't affordable for her and not lent. This was because she already had a significant amount of debt before the loan was approved.

What happened

Our Investigator thought the complaint should be upheld. Blue Motor disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Miss W's complaint shouldn't be upheld. A copy of the background to the complaint, and my provisional findings, are below in italics and form part of this final decision.

What I said in my provisional decision:

This complaint is about a hire purchase agreement that Miss W took out to purchase a car in October 2022. The vehicle had a retail price of £10,989. All of this was financed. This agreement was to be repaid through 60 monthly instalments of £260.54. And there was a £1 option to purchase fee at the end of the arrangement. If Miss W made repayments in line with the credit agreement, she would need to repay a total of £15,633.40.

I understand the vehicle was stolen in August 2024 and the car insurance has provided a cash amount that Miss W has used to repay the finance. Miss W had nothing further to repay after this time.

Miss W complained to Blue Motor saying that the agreement wasn't affordable for her. Blue Motor considered this complaint, and it didn't uphold it. It said it did sufficient affordability checks prior to approving the finance. And these showed that Miss W could afford the repayments. Miss W didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator has issued several opinions about this complaint and the most recent one upheld it. He thought the finance shouldn't have been approved because if Blue Motor had made proportionate checks, it would have shown that the loan wasn't affordable for Miss W and it wouldn't have lent. He thought the amount left over after her total expenditure (including the car finance), that is £120 a month, was too low.

Blue Motor didn't agree with the Investigator. It said that Miss W's bank accounts were well managed and didn't show signs of distress. And if it had applied closer scrutiny to the information provided, it would have seen that the lending was affordable.

Because Blue Motor didn't agree, this matter has been passed to me to make a final decision.

What I've provisionally 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Blue Motor complete reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the credit in a sustainable way?
 - a. if so, did Blue Motor make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Miss W could sustainably repay the borrowing?
2. Did Blue Motor act unfairly or unreasonably in some other way?

And, if I determine that Blue Motor didn't act fairly and reasonably when considering Miss W's application, I'll also consider what I think is a fair way to put things right.

Did Blue Motor complete reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Blue Motor has explained that Miss W informed it at the time of application that she was employed with an annual income of £21,504. It said that it verified this using a tool from a credit reference agency. I think it's reasonable to say that Blue Motor verified Miss W's income.

It checked Miss W's credit file and applied a series of calculations that looked for signs of financial stress and affordability. It's said these included looking at the amount of active credit accounts Miss W had, how she was using her credit facilities, and what her debt to income ratio was.

It found out that Miss W had some other credit. She had several credit cards with outstanding balances of about £2,000. A mail order account with an outstanding balance of about £1,300. And personal loans with an amount owed of about £5,750. with monthly repayments of just over £300.

Miss W had some repayment problems in 2017 but there were no recorded problems after this time. Miss W has said that she took out a personal loan of £17,000 to consolidate some other lending. This isn't shown on the credit information that Blue Motor received.

After doing these checks Blue Motor thought that the monthly repayments would be affordable for Miss W.

But other than finding out some information about her existing credit, Blue Motor doesn't seem to have asked, or found out about, Miss W's expenditure. This was a long-term lending agreement and Miss W would be repaying a reasonable amount each month for five years. So even if I accept that Blue Motor likely determined what Miss W's income was, I think it should also have considered what her expenditure was to ensure she could sustainably repay the loan. It doesn't seem to have done this at all, other than looking at what was on her credit file.

So, I'm not persuaded that the checks Blue Motor did were reasonable and proportionate. I think Blue Motor could have checked in more detail that this further lending wasn't likely to cause her a problem going forward.

Would reasonable and proportionate checks have shown that Miss W would be able to repay the credit in a sustainable way?

I've gone on to consider what Blue Motor would likely have found had reasonable and proportionate checks been carried out.

Miss W has provided an up-to-date copy of her credit report. As this also shows historic data, I'm satisfied this will give a good indication of what Blue Motor would've seen on the credit file it obtained when it considered this finance application.

This report shows that the information Blue Motor had about Miss W's existing credit was about right, other than the new personal loan. Miss W had taken a loan around the same time the car finance was started. But it does typically take six weeks to a few months for new credit to appear on a credit file. I can only expect Blue Motor to have taken into consideration credit commitments it was made aware of. And, as this credit commitment wasn't showing on the credit file, and as I've seen nothing to show me that Miss W told Blue Motor about it, it wouldn't be fair to say Blue Motor should've factored this in.

Overall, there's nothing on this report that shows me Blue Motor should've declined Miss W's application, or that it should've been unduly concerned about her current financial position.

Miss W has also provided copies of her bank and credit card statements for a period before the finance. While I wouldn't have expected Blue Motor to have asked Miss W for copies of these, I'm satisfied this information would give a good indication of what Blue Motor would likely have taken into consideration had it asked Miss W to verify, or provide more information about, her committed expenditure during that period.

There has been some detailed correspondence about Miss W's income using this source of information. But given the size of the repayments in relation to Miss W's income, and what Blue Motor saw on her credit file. And that Miss W clearly needed a car. I don't think Blue Motor needed to find out what Miss W spent on, for example, groceries each month and look at her other variable expenditures. This wouldn't be proportionate. I don't think Miss W should have been asked to fill in a detailed income and expenditure form as she now thinks she should have been.

If Blue Motor had made better checks I think it would have verified that Miss W's income from her employment and benefits was about £1,750 a month. But it would also have seen that her regular fixed expenditures were relatively low, at around £600 a month. This is for things like utilities and childcare. I think this is what Blue Motor would have seen if it had made better checks and it still would have lent, as it would have reasonably concluded the lending was affordable for her.

Our Investigator has made a detailed analysis of all of Miss W's expenditures (including the debt consolidation loan and the car finance) and this showed that she would have about £120 a month left over. He thought this was too low an amount. Much of this calculation includes discretionary expenditures that I've already said it wouldn't be reasonable for Blue Motor to have considered. So, whilst I can see why our Investigator made this analysis, I don't think it would be right to uphold the complaint on this basis.

Miss W has outlined the circumstances that led to her experiencing financial difficulty in 2024. I can see she entered into an Individual Voluntary Arrangement ('IVA') to repay her debts after some problems in 2024. It seems that she took the car finance and a loan to consolidate some debt both in late 2022. And going forward she started to struggle to repay both these loans which led to the 2024 problems.

But I don't think Blue Motor would have been able to anticipate these future problems from the information it should have gathered at the time of sale. And I also don't think it would be right to uphold the complaint on this basis.

The bank statements show that Miss W was gambling as she said, but the amounts don't seem to be large enough to have caused a concern. And I wouldn't have expected Blue Motor to have made detailed enough checks to have discovered this in any event.

So, and while I appreciate this will come as a disappointment to Miss W, I'm satisfied that, had Blue Motor carried out reasonable and proportionate checks, I think that it's likely that would have found the finance to be sustainably affordable. And it's for this reason why I'm not intending to ask it to refund all or part of the payments Miss W paid, or of any interest and fees he may have been charged.

Did Blue Motor act unfairly or unreasonably in some other way?

Miss W didn't have any repayment problems with the finance before it was settled in 2024. She did have contact with Blue Motor when she was arranging the IVA but I've seen nothing to show it didn't assist her appropriately with this.

I have 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 it lent irresponsibly to Miss W or otherwise treated her 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.

I haven't seen anything to make me think Blue Motor acted unfairly or unreasonably in some other way.

Developments

Blue Motor, and Miss W, received my provisional decision. Blue Motor didn't have anything to add after they'd seen it.

Miss W, didn't agree with my provisional decision. She asked for clarification on certain aspects of it which I've provided below, where appropriate.

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.

It's worth saying that Miss W didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still think that Blue Motor didn't make proportionate checks, but if it had made better checks, it would've seen that the car finance was likely to be affordable for her. So, I'm not upholding her complaint.

I've provided the clarification Miss W asked for using the numbers she used below:

1. In respect of Miss W's income, the amounts I relied on are in my provisional decision above.
2. As I said in my provisional decision, I think that when Miss W's fixed costs are taken from her income she was left with enough left over to repay the finance. I don't think a proportionate check needed to fully encompass all her non committed expenditures in the way our Investigator, and Miss W, did.
3. Blue Motor did find out what Miss W spent on credit, but I acknowledge that it should have looked in more detail at her expenditure. I don't think the checks it did were proportionate. But as I've said, I think better checks would have shown the finance to be affordable.
4. I have looked at the Financial Ombudsman Services published guidance on this type of complaint and it doesn't say that a complaint will likely be upheld if proportionate checks were not made. But, as I outlined in my provisional decision, even if better checks should have been made, these checks need to show the lending wasn't affordable to uphold a complaint. And in any event, I've considered this complaint given the individual circumstances of it.
5. And 6. As I said in my provisional decision and above. I don't agree with the inclusion of a significant amount of discretionary expenditure in the income and expenditure assessment.

I hope this clarifies why I've reached this decision in Miss W's complaint.

My final decision

For the reasons set out above, and in my provisional decision, I don't uphold Miss W's complaint.

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

Andy Burlinson
Ombudsman