

Complaint

Mr S complains that Blue Motor Finance Ltd (“BMF”) unfairly entered into a hire-purchase agreement with him. He’s said that the payments to this agreement were unaffordable and so he should not have been lent to.

Background

In May 2018, BMF provided Mr S with finance for a used car. The purchase price of the vehicle was £8,904.99. Mr S paid a deposit of £500 (made up of a cash payment of £150 and a part-exchange amount of £350 which Mr S received for his previous car) and entered into a hire-purchase agreement, which had a 60-month term, with BMF for the remaining £8,404.99 he needed to complete his purchase.

The loan had interest and charges of £2,863.41 (which was made up of interest of £2,862.41 and an option to purchase fee of £1). All of this meant that the balance to be repaid of £11,268.40 (which does not include Mr S’ deposit) was due to be repaid in 59 monthly instalments of £187.79 followed by a final monthly payment of £188.79.

The complaint was considered by one of our investigators. He didn’t think that BMF had done anything wrong or treated Mr S unfairly. So he didn’t recommend that Mr S’ complaint should be upheld.

Mr S 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 S’ complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr 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 any lending was sustainable for Mr S 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.

I've kept this in mind when considering the checks that BMF carried out.

BMF says it agreed to this application after Mr S provided details of his employer and monthly income. It says it also carried out credit searches on Mr S which showed that he didn't have any significant adverse information – such as defaulted accounts or County Court Judgments (“CCJ”) recorded against him. Furthermore, the amount of credit Mr S' existing credit, in relation to his income, was low and Mr S was maintaining what he already had well.

In BMF's view, when reasonable repayments towards the amount Mr S already owed plus a reasonable amount for Mr S' living expenses (based on average data) were deducted from what it believed to be his monthly income, the monthly payments for this agreement were affordable for him.

On the other hand, Mr S says that the payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr S and BMF have said.

The first thing for me to say is that bearing in mind what BMF knew about Mr S' cross checked income, his existing indebtedness and the relatively low monthly payments on this agreement, there is a reasonable argument for saying that BMF's checks before entering into this hire purchase agreement with Mr S were reasonable and proportionate. And as this information suggested that Mr S could afford to make these payments it was reasonable to lend to him.

For the sake of completeness, and in any event, I would add that even if it could be argued that BMF ought to have done more here, the absolute most I could expect it to have done was to find out more about Mr S' regular living expenses. Having reviewed the information Mr S has provided, it seems to me that when the identifiable actual payments Mr S was making towards his living costs are added to his active credit commitments and then deducted from his income, he, at the time at least, appears to have enough left over to make the repayments to this agreement.

I've noted that Mr S has now carried out a line-by-line analysis of his bank statements and has reached the view that he didn't have enough left over for emergencies once the payments to this agreement were deducted from his disposable income. The first thing for me to say is that Mr S' analysis has been carried out with the use of bank statements and this includes all of his major expenditure. So I'm not necessarily persuaded that the amount he now says he had left means that he shouldn't have been lent to in the way he argues.

I also have to keep in mind that Mr S' most recent submissions are being made in support of a claim for compensation and any explanations Mr S 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. And I think it unlikely that if asked for more detail on his committed expenditure, Mr S would have said he shouldn't have been lent to because he wouldn't have sufficient funds left over for emergencies.

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

However, for the reasons I've explained, I don't think BMF irresponsibly lent to Mr S or otherwise treated him 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. So I'm not upholding this complaint.

Overall and having carefully considered everything, while it could be argued that BMF's checks were proportionate and the information showed that the repayments were affordable, in any event, I'm satisfied that BMF doing more here won't have stopped it from providing these funds, or entering into this agreement with Mr S. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr S. 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

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 March 2026.

Jeshen Narayanan
Ombudsman