

## **The complaint**

Mr K complains that BLUE MOTOR FINANCE LIMITED (who I'll call BMF) should have made him aware of the shortfall he may face in the event a car he was financing from them was declared a total loss. He says BMF were unreasonable to report adverse information to his credit file.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr K took out a regulated motor finance agreement with BMF. The vehicle was subsequently written off, and Mr K's insurer did not settle the full outstanding finance balance, leaving a shortfall. BMF agreed to accept reduced payments of £100 per month under an informal repayment arrangement. However, because the contractual instalment remained higher, Mr K's credit file was reported as showing missed payments. BMF later accepted that adverse information should not have been recorded in the circumstances, agreed to amend Mr K's credit file and offered £100 to recognise the distress and inconvenience caused.

Mr K complained that he had not been offered or advised about GAP insurance at the outset of the agreement. He said that, as a first-time finance customer, BMF had a duty of care to make him aware of GAP Insurance and the risk of a shortfall in the event of a total loss. He considered that had he been properly advised he would have purchased GAP insurance and avoided the position he found himself in.

When Mr K referred his complaint to this service our investigator didn't think BMF had done anything wrong. As Mr K continued to dispute the matter his complaint has been referred to me, and ombudsman, to make a final decision.

## **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.

I agree with the investigator's view of this complaint, for broadly the same reasons.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

In relation to the repayment arrangement and credit reporting, BMF has accepted that adverse information should not have been recorded and has confirmed it will amend Mr K's credit file. It has also offered £100 to recognise the distress and inconvenience caused.

Given that the contractual payment remained due under the agreement, and that the reduced payment plan was an informal concession, I am satisfied that BMF's subsequent agreement to correct the credit file and make a compensatory payment represents a fair and proportionate resolution. I consider that this goes far enough to put matters right, and I do not require BMF to do anything further on this point.

Turning to GAP Insurance, I do not find that BMF acted unfairly by not offering this product. BMF explained that it does not offer GAP Insurance to its customers. A business is not obliged to sell or recommend a product it does not provide. There is no evidence that BMF gave incorrect or misleading information about the risks associated with the finance agreement, or that it assumed an advisory role in relation to insurance more generally. While Mr K was offered optional ancillary products such as breakdown cover, that does not, in itself create a duty to advise on separate insurance products which the business does not sell.

I appreciate Mr K feels that, as a first-time finance customer, he should have been made more aware of the potential for a shortfall following a total loss. However, motor finance agreements make clear that the borrower remains liable for any outstanding balance, and it would not be reasonable to require a lender to ensure that a customer has taken out separate insurance to cover that risk, particularly where the lender does not provide that product.

Taking everything into account, I am satisfied that BMF has now provided a fair response, and I do not require it to take any further action

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 23 March 2026.

Phillip McMahon  
**Ombudsman**