

Complaint

Mrs G complains that Blue Motor Finance Ltd (“BMF”) unfairly entered into a hire-purchase agreement with her. She’s said the monthly payments to the agreement were unaffordable and so she shouldn’t have been accepted for it.

Background

In July 2018, BMF provided Mrs G with finance for a used car. The cash price of the vehicle was £10,000.00. Mrs G didn’t pay a deposit and entered into a 61-month hire-purchase agreement with BMF for the entire amount of the transaction.

The loan had interest, fees and total charges of £3,885.00 (made up of interest of £3,500.00, a credit acceptance fee A of £225, a credit acceptance fee B of £150 and an option fee to purchase fee of £10 which needed to be paid if Mrs G exercised her option to purchase the vehicle at the end of the term). So the total amount to be repaid of £13,885.00 was due to be repaid in 60 monthly instalments of £225 followed by a final repayment of £375.

Mrs G’s complaint was considered by one of our investigators. He reached the conclusion that proportionate checks wouldn’t have shown BMF that it shouldn’t have entered into this agreement with Mrs G. So he didn’t recommend that Mrs G’s complaint should be upheld.

Mrs G didn’t agree 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 Mrs G’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mrs G’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 Mrs G could make her payments in a sustainable manner before agreeing to lend to her. And if the checks BMF carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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.

BMF has said that it obtained details of Mrs G's employer and her income as well as carried out credit checks. These credit checks showed that Mrs G didn't have any significant adverse information – such as defaulted accounts or county court judgments ("CCJ") - recorded against her.

Having considered the information BMF has provided, I can see that it relied heavily on Mrs G's existing credit commitments being met. But just because Mrs G didn't have any adverse information recorded against her, this doesn't in itself mean she could take on more credit.

Furthermore, I can't see that BMF took any steps to understand what Mrs G's monthly living costs were before agreeing to lend to her. Given BMF can't show me that it took steps to understand Mrs G's living costs, I can't see how it could have determined that these costs wouldn't have resulted in the monthly payments being unaffordable. In these circumstances, I don't agree that BMF's checks before it agreed to lend to Mrs G were reasonable and proportionate.

As I've explained, given the circumstances here, I would have expected BMF to have had a reasonable understanding about Mrs G's regular living expenses as well as her income and existing credit commitments.

While I've looked at the bank statements Mrs G has provided in order to do this, I've done this because I'm having to retrospectively determine what a proportionate check is likely to have looked like at this late stage. And bank statements have all the information I now need to do this. However, I wish to make it clear that BMF was not required to review Mrs G's bank statements prior to lending.

In any event, the bank statements provided do appear to show that when Mrs G's committed regular living expenses are added to what BMF knew about her existing credit commitments and then deducted from the funds going into her account, there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due under this agreement.

I've noted that Mrs G has now carried out a line-by-line analysis of her bank statements and has reached the view that she didn't have sufficient disposable income to be able to make her payments to this agreement. The first thing for me to say is that Mrs G's analysis has been carried out with the use of bank statements and this includes all of her expenditure including payments being made to a family member purportedly because they had lent Mrs G money. However, even if this was a loan, as this was from a family member this didn't show up in the credit searches.

I also have to keep in mind that Mrs G's most recent submissions are being made in support of a claim for compensation and any explanations Mrs G 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.

Therefore, I think that it is unlikely – and certainly less likely than not – that Mrs G would have volunteered that she shouldn't have been lent to as she wouldn't have enough to meet her existing commitments (including some that BMF couldn't possibly be expected to know

about), had BMF asked or found out more about her regular living expenses. This is particularly as BMF wasn't required to request bank statements from her in the first place.

So having carefully considered everything, I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Mrs G could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that BMF would have declined to lend if it had found out the further information that I think it needed to here.

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

However, for the reasons I've explained, I'm currently minded to conclude that BMF did not irresponsibly lend to Mrs G or otherwise treat her 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.

Overall and having carefully considered everything, while I don't think that BMF's checks before entering into this hire-purchase agreement with Mrs G did go far enough, I'm not persuaded that reasonable and proportionate checks would have prevented BMF from providing these funds, or entering into this agreement with her. And I'm not upholding this complaint.

I appreciate that this will be very disappointing for Mrs G. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 30 April 2026.

Jeshen Narayanan
Ombudsman