

Complaint

Mr S complains that Blue Motor Finance Ltd (“BMF”) unfairly entered into a hire-purchase agreement with him. He’s said that the agreement was unaffordable.

Background

In June 2021, BMF provided Mr S with finance for a used car. The cash price of the vehicle was £11,740.00. Mr S paid a deposit of £400 and entered into a 60-month hire-purchase agreement with BMF for the remaining amount needed to complete the purchase.

The amount lent was £11,340.00 The agreement had interest, fees and total charges of £7,307.20 (made up of interest of £7,306.20 and an option to purchase fee of £1). The total amount to be repaid of £18,647.20 (not including Mr S’ deposit) was due to be repaid by 59 monthly instalments of £310.77 followed by a final monthly instalment of £311.77.

Mr S’ complaint was considered by one of our investigators. She didn’t think that BMF had done anything wrong or treated Mr S unfairly. So she 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.

BMF says it agreed to this application after Mr S provided details of his monthly income and confirmed that he was living at home with parents. It says it also carried out credit searches

on Mr S which showed that he didn't have much in active credit commitments and what he had was relatively well maintained. In BMF's view, when payments to the amount Mr S already owed, plus a reasonable amount for Mr S' living expenses, were deducted from his monthly income the monthly payments were affordable.

On the other hand, Mr S says that these payments were unaffordable. I've thought about what Mr S and BMF have said.

The first thing to say is that BMF did obtain quite a bit of information about Mr S. And this did appear to indicate that the monthly payments were affordable for Mr S, at least at the time of the agreement. I know Mr S says that his actual circumstances weren't reflected either in the information he may have provided, or the information BMF obtained.

But the amount of the monthly payments and the lack of obvious indicators of any recent difficulty in the information BMF did obtain lead me to think that reasonable and proportionate checks would not have extended further. For the sake of completeness, I should add that at best, even if I were to accept that further checks were necessary, which for the reasons I've explained I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr S' regular living costs.

It's also worth noting that while Mr S might have been choosing to use a small overdraft – his pattern of spending suggests he was choosing to use the facility in this way, rather than it being a case that he was trapped into doing so. So I don't think that this means he shouldn't have been lent to. Furthermore, if Mr S is unhappy at being allowed to use his overdraft in the way he was, this is matter he will need to take up with his bank, rather than BMF.

Overall and having carefully considered everything, I'm satisfied that BMF didn't act unfairly towards Mr S when it agreed to provide the funds. And 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

My final decision is that 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 17 June 2024.

Jeshen Narayanan
Ombudsman