

## **The complaint**

Miss F complains that Black Horse Limited was irresponsible in its lending to her. She wants all interest and charges paid under her hire purchase agreement refunded, and the agreement removed from her credit file.

## **What happened**

Miss F was provided with a hire purchase agreement by Black Horse in September 2018 to finance the acquisition of a car. Under the agreement she was required to pay a total of £44,872.88 through 48 monthly instalments of £409.56 and a final payment of £19,464. Miss F said that before the finance was provided Black Horse didn't carry out reasonable checks to ensure she could afford to repay the borrowing. She noted that she wasn't asked to provide evidence of her financial situation or proof of income and said she felt pressured to go ahead with the acquisition without being provided with clear details of the costs involved. She said the agreement wasn't affordable and explained that she missed several payments and had to put a payment arrangement in place. She said the need to make repayments under the agreement caused her to fall behind with her priority bills and take on further debt. As Miss F didn't receive a response to her complaint she referred it to this service.

Black Horse issued a final response to Miss F's complaint dated 24 September 2024. It said that Miss F signed the documents confirming that the agreement was affordable. It noted that Miss F said she was employed full time and declared an annual income of £55,000 giving a monthly net income of £3,326. It said Miss F provided details of her monthly deductions and her net disposable income was calculated as £1,565. It explained that as part of its investigation into Miss F's complaint it reviewed her bank statements for the months leading up to the finance being provided and these suggested the lending was affordable. It also noted that a credit check had been carried out which didn't raise any concerns.

Our investigator noted the checks that Black Horse carried out before lending and thought that it should have also verified Miss F's income. He considered the information that would have been received through proportionate checks and found this would have suggested the agreement to be affordable.

Miss F didn't agree with our investigator's view. She said her income wasn't verified and that the calculations by our investigator included amounts that weren't salary. She said the figures used were based on payments between her accounts and weren't an accurate assessment of her income at the time. Miss F noted that her accounts showed she was overdrawn on several occasions.

## **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.

Our general approach to complaints about unaffordable or irresponsible lending – including

the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the finance was provided, Black Horse gathered information about Miss F's employment, income and expenses and carried out a credit check. Miss F was recorded as being employed full time with an annual income of £55,000 (monthly net income of £3,326). The information provided said the income wasn't verified by Black Horse, but Black Horse has said Miss F's income was verified using a credit reference agency affordability check. Miss F's monthly mortgage costs were recorded as £700 and other costs as £150. Her monthly credit commitments were identified as £423 for revolving credit and £25 for non-revolving credit and her living costs noted as £473. The credit check showed that Miss F had five active accounts with total balances (excluding mortgage) of £13,123. There was no recent adverse information recorded.

While Miss F's credit check didn't raise concerns about her level of debt or suggest that she was struggling to manage her existing credit commitments, and the checks suggested the agreement would be affordable, given the amount being borrowed, the agreement term and size of repayments, I think that Black Horse should have verified Miss F's income before agreeing to the finance.

While I do not find that Black Horse was required to request copies of Miss F's bank statements, I have looked through these to understand what further checks would have likely shown. Miss F's bank statements for the months leading up to her finance application show that she was receiving income from benefits as well as transfers in from an account in her name. I note Miss F's comment about a large one-off benefit payment in August 2018 and I haven't included this in my assessment. Miss F had declared at the time of the application that she was a director of her business. So, while I can see there are transfers between her accounts, I have included what appears to be a regular payment into the account from another account as part of her income. Based on the information available, I find it reasonable to accept that had further income checks been carried out these would have supported Miss F's net monthly income being at least the amount that had been declared (£3,326).

Miss F declared payments of £700 for her mortgage but her bank statements show monthly payments of £1,300 which Miss F has said was her rent. Including this amount along with her other costs such as insurance, utilities, credit commitments, food and fuel would give total monthly costs of around £2,300. The repayments due under the Black Horse agreement were for around £410. Therefore, I do not find that I can say that Black Horse should have considered these to be unaffordable. I note Miss F's comment about her overdraft usage, but I do not find that this changes my view that proportionate checks would have suggested the agreement to be affordable.

Miss F has also said that she felt pressured into the agreement and wasn't provided with clear information about the costs. I cannot say what was discussed at the time, but the agreement includes the details of the amount being borrowed, the cost of this and the repayments needed. Therefore, I find that Miss F was provided with the information she needed to make an informed decision. She also had the right to withdraw had she not been happy after signing the agreement.

I've also considered whether Black Horse acted unfairly or unreasonably in some other way

given what Miss F has complained about, including whether its relationship with Miss F might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Black Horse lent irresponsibly to Miss F 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.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 16 January 2025.

Jane Archer  
**Ombudsman**