

The complaint

Mr B complains that Black Horse Limited was irresponsible in its lending to him. He wants all interest and fees he paid under his agreement to be refunded along with statutory interest and compensation for the stress and inconvenience he has been caused.

Mr B is represented by a third party but for ease of reference I have referred to Mr B throughout this decision.

What happened

Mr B was provided with a hire purchase agreement by Black Horse in December 2018 to finance the acquisition of a car. He paid a deposit of £2,100 and was required to make 49 monthly repayments of around £165 (including insurance payments) followed by a final payment of £4,140 if he wished to keep the car. Mr B said that adequate checks weren't undertaken before the finance was provided and that had these happened, Black Horse would have declined his application.

Black Horse issued a final response dated 1 May 2024. It said that at the time of application Mr B declared he was employed with a gross annual income of £28,050 and a net monthly income of £1,871. It said it carried out underwriting checks and following these it offered to provide the finance. It noted that Mr B made all his repayments on time up to November 2022 when he settled the agreement. It said he hadn't raised any previous concerns about the affordability of the agreement.

As part of its investigation into Mr B's complaint, Black Horse reviewed the bank statements he had provided and said these showed his average income to be around £1,768 and average expenditure as around £1,257. It said this differed from the information gathered at application but still supported the agreement being affordable. Therefore, it didn't uphold Mr B's complaint.

Mr B referred his complaint to this service.

Our investigator thought the checks carried out before the finance was provided were reasonable. She then assessed the information received to see if this should have raised any concerns about the agreement being provided. She didn't find that the information gathered raised concerns that Mr B might be experiencing financial difficulties at that time or that he would struggle to sustainably repay the debt. Therefore, she didn't uphold this complaint.

Mr B didn't accept our investigator's view. He said that he transferred £800 each month to his wife for household bills excluding food which was a much higher amount than Black Horse included in its assessment. He said that once the finance repayments were made and the costs of running the car deducted, he had little disposable income left for basic necessities and any unforeseen costs.

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 lending was provided, Black Horse gathered information about Mr B's income, and this was verified using current account turnover data from a credit reference agency. It deducted Mr B's share of housing costs, payments for existing credit commitments based on its credit check results and an estimated amount for his essential living expenses based on third party data. Black Horse said at the time of application, Mr B declared he was employed with a gross annual salary of £28,050 and was a homeowner paying £190 for his mortgage. His credit commitments were recorded as £92 a month for revolving credit and £99 for non-revolving credit. Given the cost of the repayments compared to Mr B's monthly income, the level of his credit commitments and other declared costs, and that his credit check didn't raise any concerns, I think that the checks carried out were reasonable.

However, just because I consider the checks to be reasonable, it doesn't necessarily mean that the lending should have been provided. To assess this, I have considered the information gained through the checks to see if this raised any issues.

Based on the information received through Black Horse's checks, I do not find that these raised concerns about the affordability of the agreement. The credit check didn't suggest that Mr B was experiencing financial difficulty and I do not find the information received suggested that he would struggle to make his repayments.

Mr B has provided copies of his bank statements as part of his complaint and said that he was transferring £800 a month to his wife for bills. While I do not find that Black Horse was required to request copies of Mr B's statements, I have looked at the additional information provided. I note Mr B's comment about not recalling providing a mortgage cost of £190, but that this could have been half the mortgage cost at the time. As this was the amount he declared I find it reasonable this was relied on. I have looked through the bank statements and these show Mr B's net monthly income to be slightly lower than was used in the assessment but taking this into account and the costs that are shown in his statements (including payments for bills) I do not find this shows the agreement to be unaffordable.

Taking everything into account, I do not find that the evidence at the time of lending suggested that Black Horse was wrong to provide the agreement. Therefore, I do not find that the lending was irresponsible.

I've also considered whether the business acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Black Horse lent irresponsibly to Mr B or otherwise treated him 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 Mr B to accept or reject my decision before 4 February 2025.

Jane Archer
Ombudsman