

Complaint

Mr W complains that Black Horse Limited (“Black Horse”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable and so he shouldn’t have been lent to.

Background

In December 2022, Black Horse provided Mr W with finance to facilitate the purchase of a used car. The purchase price of the vehicle was £13,00.00. Mr W received a part exchange of £1,000.00 for his existing car and made a cash payment of £99. He entered into a 60-month hire-purchase agreement with Black Horse for the remaining £11,901.00 he required.

The loan had interest charges of £4,692.80 and a £10 option to purchase fee. This meant that the balance to be repaid of £16,603.80 (which does not include Mr W’s deposit) was due to be repaid in 60 monthly instalments of £276.73.

In December 2024, Mr W complained that the monthly payments for this agreement were unaffordable and so Black Horse should never have agreed to provide finance to him. Black Horse didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

Mr W’s complaint was considered by one of our investigators. He didn’t think that Black Horse had done anything wrong or treated Mr W unfairly. So he didn’t recommend that the complaint should be upheld.

Mr W 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 W’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr W’s complaint. I’ll explain why in a little more detail.

Black Horse needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Black Horse needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr W 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.

Having carefully thought about everything I've been provided with, I'm not upholding Mr W' complaint. I'd like to explain why in a little more detail.

Black Horse says it agreed to Mr W' application after Mr W provided details of his monthly income and some details on his expenditure. It says it also carried out searches with credit reference agencies which not only showed that Mr W's bank account received monthly credits consistent with the income declared, but also that Mr W had no significant adverse information such as defaults or County Court Judgements ("CCJ") recorded against him. The credit that Mr W did have outstanding was well maintained.

In Black Horse's view, when reasonable repayments to the amount Mr W owed plus estimates of his living expenses were deducted from his validated monthly income, the monthly payments were affordable. On the other hand, Mr W says that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr W and Black Horse have said.

The first thing for me to say is that the information obtained at the time does appear to show that when Mr W's committed regular living expenses and existing credit commitments were deducted from what he received each month, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Mr W has said that the information doesn't accurately reflect his financial position and that he was earning significantly less than what Black Horse believed he did. However, Black Horse's cross checking supported Mr W's declaration of his income. Furthermore, it's also worth noting that the open banking information has provided to support what he's said about the monthly payments being unaffordable for him, actually sets out that his monthly income was commensurate with what Black Horse believed it to be.

In these circumstances, I don't think Black Horse was reasonably entitled to rely on Mr W's income declaration. Furthermore, having looked at the information Mr W has provided now, I can't see that his living expenses and non-discretionary expenditure was higher than what Black Horse believed it to be either. Indeed, even when his actual expenditure is deducted from the lower income amount he's arguing should be now, the monthly payments are still affordable.

I'd also add that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. I don't think that Black Horse could possibly be expected to have realised that this agreement might have been unaffordable for Mr W.

Overall and having carefully considered everything, while it's possible that may be an argument for saying that Black Horse's checks before entering into this hire-purchase agreement with Mr W might not have gone far enough, I'm, in any event, satisfied that carrying out further checks won't have stopped Black Horse from providing these funds, or entering into this agreement with Mr W. I'm therefore satisfied that Black Horse didn't act unfairly towards Mr W when it agreed to provide the funds.

In reaching this conclusion I've also considered whether the lending relationship between Black Horse and Mr W might have been unfair to Mr W under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think that Black Horse irresponsibly lent to Mr W or otherwise treated him 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.

So while I've considered everything that Mr W has said, I don't think that Black Horse acted unfairly or unreasonably towards him. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr W. 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 October 2025.

Jeshen Narayanan
Ombudsman