

The complaint

Ms S complains that Black Horse Limited (“Black Horse”) unfairly entered into a hire purchase agreement with her.

Ms S is supported in bringing this matter by a representative. But, for ease, I’ll refer to actions and submissions as being those of Ms S herself.

What happened

In August 2020, Ms S entered into a personal contract purchase style hire purchase agreement with Black Horse which had a term of 48 months. The cash price of the car was £22,890. Ms S paid a deposit of £2,971.97. The amount of credit taken with Black Horse was £19,918.03 and the interest payable was £6,070.99. There was an option to purchase fee of £10. Overall, Ms S needed to make 47 monthly payments of £368.66, followed by an optional final payment, inclusive of payment of the purchase fee, of £8,672 which was only payable if Ms S wished to keep the car.

In summary, Ms S says Black Horse didn’t undertake an appropriate assessment of her circumstances, which resulted in financial hardship for her.

Black Horse reviewed matters but didn’t uphold the complaint. It said there was no evidence that the credit was unaffordable at the point of sale, nor did it think it was irresponsibly provided.

Ms S remained unhappy and brought her complaint to this service. An Investigator here reviewed matters but didn’t recommend the complaint be upheld. In summary, she thought Black Horse ought to have carried out further checks into Ms S’s circumstances. However, she thought these checks would have likely revealed that the lending was affordable for her.

Black Horse didn’t dispute this opinion, but Ms S did. In summary, she said a review of her current account statements would have revealed that she was in financial difficulty and using her overdraft; she was reliant on credit; she was paying a debt collection agency; and she was reliant on borrowing from family and friends.

As an agreement couldn’t be reached, the case has been passed to me to decide.

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.

The rules and regulations in place at the time Black Horse entered into a hire purchase agreement with Ms S required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an ‘affordability assessment’ or ‘affordability check’.

The checks had to be 'borrower' focused. This means Black Horse had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Ms S. In other words, it wasn't enough for Black Horse to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Ms S.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Black Horse did what it needed to before lending to Ms S.

Black Horse's notes suggest Ms S provided a gross annual income of £42,000 which was converted into a net monthly income of £2,674. Black Horse says it verified this information using an external source. As I understand it, the system notes suggest net monthly income was recorded as £2,040. Black Horse used a modelled estimate of living costs and considered payments towards credit from the Credit Reference Agencies and thought Ms S would have enough disposable income to afford the credit. It also said Ms S said she didn't contribute to mortgage costs.

Black Horse also carried out a credit check which showed that Ms S had balances of around £13,462 excluding her mortgage. The checks also revealed that there had been issues recorded in the last six months, though this appears to have been remedied by the time the checks were carried out.

In the circumstances of this particular case, considering the amount Black Horse was proposing to lend, I think it could have understood more about Ms S's actual committed living expenses, rather than use estimations, before providing her with lending.

I've reviewed the bank statements Ms S has provided from around the time of the lending decision to understand what further checks would have likely revealed had they been carried out. To be clear, I'm not saying Black Horse needed to review bank statements, as it could have understood more about Ms S's circumstances in a variety of ways. However, this is an easy way for this service to retrospectively piece together what Black Horse likely would've understood. Having done so, I agree with our Investigator that further checks would have likely revealed that Ms S had sufficient disposable income, and the agreement was likely to be affordable for her. So, I don't think Black Horse acted unfairly by entering into the agreement with Ms S.

I've considered what Ms S told us about her circumstances that would have been visible on her bank statements, including her overdraft usage, loans from friends and family and payments to debt collection agencies. However, as outlined above, whilst reviewing the statements is an easy way for this service to piece together what further checks would have likely shown, I don't think Black Horse needed to review Ms S's bank statements. It could have understood more about her circumstances in a variety of ways. So, whilst I acknowledge the difficulties Ms S says she was facing at the time, I'm not necessarily persuaded Black Horse would have been aware of these issues. Again, that isn't a failing on the part of Black Horse.

Therefore, overall, I don't find that Black Horse acted unfairly by entering into this agreement with Ms S. I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Black Horse lent irresponsibly to Ms S 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 don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 15 October 2025.

Hana Yousef
Ombudsman