

The complaint

Mr W complains that Black Horse Limited (BHL) failed to take reasonable steps to verify his financial position before lending to him.

Mr W is represented in this complaint by a claims management company but, for ease, I'll refer to Mr W directly throughout my decision.

What happened

In October 2022, Mr W acquired a used static caravan through a Hire Purchase Agreement (HPA) with BHL.

The cash price of the vehicle was £106,056.20. Mr W paid a deposit of £19,495.92, with the remaining amount of £86,560.28 provided through the agreement as credit. The agreement required Mr W to make 84 monthly repayments of £1,373.26.

In July 2024, Mr W complained to BHL that they'd failed to take steps to verify his financial position, or to complete a satisfactory affordability assessment before approving him for the HPA, towards which he was struggling to meet the monthly repayments.

In March 2025, BHL sent Mr W their final response letter, but they didn't uphold his complaint. In summary, BHL said, having reviewed the application process, they'd found no evidence to suggest the loan was unaffordable at the point of sale, or that they'd acted irresponsibly by providing the finance.

Mr W disagreed with BHL's response, so he referred his complaint to our service. He said at the time of the application he'd advised the dealership elements of his income were not permanent. Due to a change in circumstances, Mr W added he's now having to depend on assistance from family to repay the debt.

After looking into things, one of our Investigators said she didn't think BHL had completed proportionate checks. She thought they should have verified Mr W's income and got more of a thorough understanding of his actual expenditure before lending to him.

But our Investigator went on to say had BHL completed further checks, she thought they would've likely found the repayments appeared affordable for Mr W, so they'd not done anything wrong by lending to him.

Mr W disagreed with our Investigator's opinion saying had BHL applied reasonable and proportionate checks, they'd have found his income to be materially different from their estimates and his future expenditure likely to rise. He also said his disposable income was highly dependant on joint and contingent sources, making the agreement unsustainable.

Our Investigator explained she'd already agreed BHL hadn't completed reasonable and proportionate checks at the time of the application, but that after considering what they'd likely have seen had they done, she thought they'd have likely found the agreement to have appeared affordable.

Because our Investigator's opinion remained unchanged and no resolution could be reached, this 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.

Having done so, although I appreciate it'll be a disappointment to Mr W, I'm not upholding his complaint and for much the same reasons as our Investigator. I'll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr W's complaint. BHL needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for him before agreeing to provide the credit.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like BHL to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- 1) Did BHL complete reasonable and proportionate checks to satisfy themselves Mr W would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
 - If they did, was their decision to lend to Mr W fair?
 - If they didn't, would reasonable and proportionate checks have shown that Mr W could sustainably repay the borrowing?
- 2) Did BHL act unfairly or unreasonably in some other way?

Did BHL complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was £115,353.84, with Mr W committing to make 84 monthly repayments of around £1,373. This was, therefore, a lengthy credit commitment for someone to enter into repaying a significant amount back each month, so my starting point is that I'd expect to see BHL to have completed a thorough affordability check.

Mr W declared a gross annual income of £59,000 within his application. BHL used an income estimation tool provided by one of the credit reference agencies (CRAs) to establish the typical annual income received by a person fitting Mr W's profile was around £30,947.

BHL also completed a credit file check to gain an understanding of his existing financial circumstances. The credit file check data BHL have provided is limited, but from it I can see the check showed them Mr W held nine active accounts at the time with a total outstanding debt owed of around £65,800, excluding money he owed against a mortgage.

Despite Mr W's outstanding debt appearing high, BHL could see the amount was almost entirely made up of an outstanding debt linked to an existing finance agreement he held with them. BHL could see the account had been managed well since its inception in March 2021 and were aware it was to be settled when the agreement in question here was taken out.

In addition to the existing agreement held with them, BHL could see Mr W was managing his other existing external credit commitments well, with all accounts being up to date at the time of the application and they saw no signs of financial difficulties.

BHL then completed an affordability assessment by taking Mr W's declared housing costs of £500 a month, using his actual credit commitments of £328 a month and, using statistical data, calculating his other living costs to be £442 a month. BHL included a monthly amount of £400 to account for future pitch fees and an additional buffer of £63 before concluding Mr W likely had a monthly disposable income of £1,794.

Finally, as the income check BHL completed had returned a lower income estimation than the figure Mr W had declared, his application was referred to an underwriter. The underwriter took into consideration Mr W's management of his existing credit, both externally and the active agreement held with them.

Having thought about BHL's checks and the amount and term of the finance here, I think given the disparity they found between Mr W's declared income and the estimated figure returned, they ought to have done more to verify his actual income. For much the same reasons, I also think they ought to have found more out about Mr W's actual expenditure.

So, I'm not satisfied BHL's checks were proportionate on this occasion. But as I've explained above, that doesn't necessarily mean I can uphold Mr W's complaint – I now need to consider whether they'd have been able to fairly decide to lend to him if they had done proportionate checks.

If BHL had done proportionate checks, what would they have found?

As I said, I think proportionate checks would have involved BHL verifying Mr W's income and finding out more about his non-discretionary expenditure to determine whether he'd be able to afford the repayments in a sustainable way.

I'm not saying BHL specifically needed to obtain payslips or bank account statements as part of their credit worthiness checks. They could've verified his income by completing a CRA check that relied on his account turnover as opposed to relying on an estimate. And regarding his outgoings, I think they could've simply asked Mr W what other essential expenditure he had, as they did when obtaining his housing costs.

But in hindsight, to obtain a better indication now, of what BHL might have found if they had done proportionate checks, I've looked at Mr W's bank statements covering the three months prior to the application. I've also relied on the detailed testimony, kindly provided by Mr W when our Investigator asked about his income and expenditure at the time.

Mr W's statements are for a joint account which show numerous different payments being credited, not all of which relate to him. He's explained he was in receipt of a pension and a payment which he received for being a care provider. He also provided care together with the joint account holder and to support which this, together they received payments relating to a carers allowance and a disability living allowance.

I've thought about Mr W's income carefully and while I acknowledge he says he told the dealership, through whom he applied for the finance, that the care he was providing wasn't

permanent, given the income figure he declared, I'm persuaded the payments he received for this more likely than not would've been declared as income had he been asked more about it at the time.

So, taking Mr W's pension, along with half the total income received in relation to the care he was jointly providing, I'm satisfied BHL would've found him to be in receipt of on average, around £3,284 income each month. As our Investigator explained, this accounted for around 37% of his total household income at the time.

Next, I've thought about Mr W's essential expenditure, again looking at the transactions found on his bank statements, and taking what Mr W has told us into account. In line with his share of the income into the joint account, our Investigator used the same percentage when calculating his likely contribution towards outgoings. I think that's a sensible approach here.

The total average monthly essential expenditure debiting Mr W's account across the three-month period I've looked at is around £3,292. This consists of payments towards mortgages, council tax, utilities, food and travel, insurances and subscriptions, as well as other essential spend such as mobile phone and television contracts, and bank account charges. I've not included any commitments for which Mr W has confirmed were towards accounts held solely by the joint account holder.

So, using the 37% calculation, I think BHL would have found Mr W's share of these outgoings to be on average around £1,218 a month.

From the credit check completed, BHL obtained Mr W's commitments to existing credit as being £328 a month. Generally, I would expect a business to use this figure – which BHL did. But here, I'm persuaded had they asked more about his expenditure, this figure would've been excluded, much like the payment towards the existing agreement held with BHL was.

I say this because having looked at a full copy of Mr W's credit file which he provided, the loan for which this payment was towards was settled in October 2022, at the same time as him taking this new agreement out, with no further payments then due.

So, I think BHL would've likely found Mr W to be in receipt of around £3,284 a month, from which he needed to cover outgoings of around £1,218 a month. After accounting for the monthly repayment towards the new agreement of £1,373.26 and the future pitch fee payment of £400 a month BHL allowed for, I think they would have found Mr W to be left with a disposable income of around £292.

I acknowledge Mr W doesn't think £192 a month is enough given the term of this agreement. But as I've said, I'm satisfied this figure is £292. While our Investigator's view did say £192, the calculations she Investigator set out suggest she also meant £292 here. I'm satisfied this figure is sufficient.

Considering this amount of disposable income BHL also had knowledge of Mr W's ability to have maintained both his existing agreement with them and the loan elsewhere well. The repayments for these two agreements together totalled £1,324 a month, and both were ending with no further repayments due after the inception of this new agreement. So, I'm satisfied it would've been reasonable for BHL to have been confident about Mr W's ability to sustainably afford the repayments towards the new agreement throughout its term.

Finally, Mr W has shared that his household circumstances have changed significantly since having taken out this agreement. I'm very sorry to hear this. I'd like to reassure him I've not dismissed what he has told us about his circumstances, rather I must focus on what BHL

and indeed Mr W knew at the time of the application. I'm not persuaded either could reasonably have foreseen that Mr W would find himself in the unfortunate circumstances he finds himself in now.

In summary, had BHL asked about Mr W's essential expenditure, for the reasons I've explained, I'm satisfied it's more likely than not they would've been able to determine the agreement was both affordable and sustainable for him. As such, I don't think it was unfair for them to have lent to him.

Did BHL act unfairly or unreasonably in some other way?

Having looked at the contact notes on Mr W's account, I can't see BHL were made aware of the financial difficulties he now faces until the point at which he complained. As such, I've not seen anything to suggest BHL have treated Mr W unfairly or unreasonably in any other way.

I'm pleased to see, within their final response letter, BHL provided Mr W a contact number and asked him to get in touch so they can provide him support. Should Mr W have already reached out to them, or if he does so in the future, as it's clear BHL are now aware of his financial difficulties, I'd remind them of their responsibility going forward to treat him with forbearance and due consideration.

I've also considered whether BHL acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether its relationship with Mr W might have been unfair under s.140A Consumer Credit Act 1974.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 17 February 2026.

Sean Pyke-Milne
Ombudsman