

## The complaint

Miss C says Black Horse Limited ('Black Horse'), irresponsibly lent to her. She says it didn't take reasonable steps to ensure she could afford the repayments towards a hire purchase agreement to purchase a static caravan. She says the loan wasn't affordable as she was retired and it should not have been provided to her. She was in a vulnerable position at the time due to her mental health.

## What happened

This complaint is about a hire purchase agreement that Miss C took out to purchase a static caravan in August 2022. The cash price of the caravan was £60,000. Miss C paid a deposit of £9,500 and she borrowed £50,500. This was to be repaid over a period of 120 months with the payment being £627.65. If Miss C made repayments in line with the credit agreement, she would need to repay a total of £84,818.

Black Horse has said that the loan was paid up to April 2024 without issue, despite the direct debit being cancelled in March 2024. Miss C made payments in March, April and July 2024 by card. No further payments were made after this. The agreement was voluntarily terminated in November 2024 and a balance of £20,401.13 remains.

I can see that Miss C has had several problems with the caravan itself and the site it is on. She has complained to Black Horse about this. This complaint is about whether the loan was affordable for Miss C. So, whilst I acknowledge the problems with the caravan and the site, I won't be addressing these at all in this decision.

Miss C has complained to Black Horse saying that the finance wasn't affordable for her at the time of sale and she struggled to repay it. She thought that the site fees were not factored into the affordability assessment.

Black Horse considered this complaint, and it didn't uphold it. It didn't think the evidence it had seen from the point of sale showed that the finance was unaffordable and it didn't think that it had irresponsibly provided the finance. Miss C didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator upheld Miss C's complaint. She thought the finance shouldn't have been approved. She didn't think Black Horse did proportionate checks, but if it had made better checks it would have seen the finance wasn't affordable.

Black Horse didn't agree with the Investigator. It provided background to the events that led up to the complaint about the agreement, and the caravan itself. It also considered Miss C's bank statements, and from this it concluded that she could afford to repay the finance.

In later correspondence it questioned why Miss C entered into the agreement if she could not afford it, and this was a replacement agreement for a previous one. She was able to maintain the payments for a significant amount of time. The affordability complaint was only raised once Miss C's complaint about the problems she was having with the caravan, and the caravan site, were not successful

Because Black Horse didn't agree, this issue has been passed to me to make a final decision.

### **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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Black Horse complete reasonable and proportionate checks to satisfy itself that Miss C would be able to repay the credit in a sustainable way?
  - a. if so, did Black Horse make a fair lending decision?
  - b. if not, would reasonable and proportionate checks have shown that Miss C could sustainably repay the borrowing?
2. Did Black Horse act unfairly or unreasonably in some other way?

And, if I determine that Black Horse didn't act fairly and reasonably when considering Miss C's application, I'll also consider what I think is a fair way to put things right.

#### Did Black Horse complete reasonable and proportionate checks to satisfy itself that Miss C would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Black Horse has explained that it asked Miss C what her income was, and she said that it was around £46,000 a year. It said it verified this using some information from a credit reference agency, and it used a net income amount of £2,877 per month.

It checked Miss C's credit file and found out that she had existing credit balances of £7,700 over nine accounts. There were no adverse repayment markers over the preceding 12 months. It calculated that she would be paying around £200 a month to this credit.

Black Horse has said that it used Office of National Statistics estimates for the remainder of her expenditures. It thought that her non-discretionary expenditure was £477 a month and it allocated £400 for her new caravan site fees and other costs associated with the caravan. After doing this it thought the agreement was affordable.

But Miss C was borrowing a significant amount, and she was committing to make payments over ten years. And Miss C did have some debt already. So, I think it would have been important for Black Horse to ensure that she could afford the repayments to the new loan. And I think it would have been proportionate to have asked more questions about Miss C's expenditure rather than, in the main, relying on averages for this and the information contained in the credit report.

So, I'm not persuaded that the checks Black Horse did were reasonable and proportionate. I think Black Horse could have checked in more detail that this further lending wasn't likely to cause her a problem going forward. I've noted that no party has disagreed with our Investigator's opinion about this.

Would reasonable and proportionate checks have shown that Miss C would be able to repay the credit in a sustainable way?

I've gone on to consider what Black Horse would likely have found had reasonable and proportionate checks been carried out.

Miss C has also provided copies of her bank statements for the period just before the lending. While I wouldn't have expected Black Horse to have asked Miss C for copies of these, I'm satisfied that the statements would give a good indication of what Black Horse would likely have taken into consideration had it asked Miss C to verify, or provide more information about, her income and committed expenditure during that specific period.

Both our Investigator, and Black Horse, have looked in detail at what's in the bank statements. I'm not going to reproduce all of this as all parties are aware of it. I'll concentrate on the main information and the areas of disagreement.

The bank statements show that Miss C's income from all sources was around £2,000 a month. There doesn't seem to be a disagreement about this.

I understand that Miss C's partner paid their rent and housing costs, but our Investigator calculated that Miss C paid about £1,750 to her total household expenditures. Our Investigator noted that the new loan repayment was £630, and the site fees were £240. And even accounting for some of Miss C's current expenditures being discretionary, the lending didn't look affordable.

I don't fundamentally disagree with this. Miss C seems to have been spending more than her income each month and she had relied on other credit and some funds from her partner to pay for the deposit and some of the caravan costs. Although I should note that Miss C has said she and her partner did share some costs, and this wasn't an uncommon occurrence between them. But it's also the case that Miss C was taking out the agreement on her own and it should have been assessed on this basis.

Black Horse has calculated that Miss C's current expenditure was around £1,000 a month. But it hasn't included some significant expenditure on, for example, her pets. It's said she would be responsible for ensuring this was affordable.

I don't think it's reasonable to disregard what looks like, at least in part, to be non-discretionary expenditure (on things such as pet insurance). Black Horse should be assessing affordability on Mrs C's situation as it is, rather than not considering what her costs were due to what appears to be a value judgement on how it thinks she should be spending her money.

But, even leaving this aside, adding the £860 of new commitments to the £1,000 it said was her essential expenditure leaves a very low amount. I'm not persuaded that this calculation shows the loan was affordable. Miss C was taking on commitments of not far short of half of her income and she already had credit to repay. And it must be born in mind that Miss C was retired and so wouldn't be able to easily source further income.

And it's worth noting that Miss C did go to have significant problems repaying the loan. I think it's clear this was always likely to happen from what I can see about her circumstances and Black Horse should have seen this and not lent to her.

#### Did Black Horse act unfairly or unreasonably in some other way?

I've considered whether the relationship between Miss C and Black Horse might have been unfair under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Miss C results in fair compensation for her in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I haven't seen anything to make me think Black Horse acted unfairly or unreasonably in some other way.

#### **Putting things right**

As I don't think Black Horse ought to have approved the lending, I don't think it's fair for it to be able to charge interest or charges under the agreement. But Miss C did have use of the caravan for around 25 months, so I think it's fair she pays for that use. But I'm not persuaded that monthly repayments of over £627.65 a month are a fair reflection of what fair usage would be. This is because a significant proportion of those repayments went towards repaying interest.

There isn't an exact formula for working out what a fair monthly repayment would be to reflect Miss C's usage. But in deciding what's fair and reasonable I've thought about the amount of interest charged on the agreement and Miss C's likely overall usage of the caravan. In doing so I think a fair amount Miss C should pay is £420 for each month she had use of the caravan. This means Black Horse can only ask her to repay a total of £10,500. To settle Miss C's complaint Black Horse should do the following:

- Refund the deposit, adding 8% simple interest per year\* from the date of payment to the date of settlement.
- Black Horse should calculate how much Miss C has paid in total and deduct £10,500 for fair usage. If Miss C has paid more than the fair usage figure, Black Horse should refund any overpayments, adding 8% simple interest per year\* from the date of payment to the date of settlement.
- Black Horse should remove any adverse information recorded on Miss C's credit file regarding the agreement.
- If there is an outstanding balance after the settlement has been calculated, Black Horse should arrange an affordable repayment plan. And treat Miss C with forbearance and due consideration.

\*HM Revenue & Customs requires Black Horse to take off tax from this interest. Black Horse must give Miss C a certificate showing how much tax it's taken off if Miss C asks for one.

**My final decision**

For the reasons I've explained, I uphold Miss C's complaint.

Black Horse Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 21 November 2025.

Andy Burlinson  
**Ombudsman**