

The complaint

Mr V complains Black Horse Motor Limited trading as Black Horse acted irresponsibly by agreeing a hire purchase agreement he couldn't afford to repay.

What happened

In August 2022 Mr V acquired a caravan financed by a hire purchase agreement from Black Horse. The cash price of the goods was £31,500. The total amount repayable under the agreement – including interest and charges – was £55,842.40. This was to be repaid by 120 monthly payments of £463.27.

In June 2024, Mr V complained to Black Horse about its decision to lend. In doing so, Mr V said (amongst other things) that he was in a Debt Management Plan at the point he entered into the agreement.

In July 2024, Black Horse issued its final response. In short, Black Horse did not agree with Mr V's complaint. In doing so, it said that it had carried out appropriate checks as a result of which it was satisfied Mr V was able to afford the credit at the time of the application.

Unhappy with this, Mr V referred the complaint to our service.

In February 2025, an investigator issued their opinion in which they didn't think Black Horse had treated Mr V fairly, and so they recommend that the complaint be upheld. In short, the investigator did not think Black Horse had conducted reasonable and proportionate checks prior to agreeing to lend and, if it had done, it would have discovered that the lending was unaffordable for Mr V.

Black Horse didn't agree with the investigator's findings. And, as an agreement couldn't be reached, the complaint was passed to me to decide.

In November 2025, I issued a provisional decision. Here is what I had to say:

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, I've reached the same conclusion as our investigator – this being that the complaint should be upheld. However, as I'm intending to expand on the reasons for doing so. With that being the case, I want to give both sides the opportunity to respond before I finalise my decision.

I'll explain why I think this is a fair outcome in the circumstances.

However, before I do, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. I've kept in this mind when deciding this complaint.

Black Horse needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr V could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Black Horse carry out reasonable and proportionate checks to satisfy itself that Mr V was likely to have been able to repay the borrowing in a sustainable way?

i. If Black Horse carried out such checks, did it lend to Mr V responsibly using the information it had?

Or

ii. If Black Horse didn't carry out such checks, would appropriate checks have demonstrated that Mr V was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr V lose out as a result of Black Horse's decision to lend to him?

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

Did Black Horse carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr V was applying for along with the size, length and cost of the borrowing; and*
- Mr V's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.*

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr V's complaint.

Prior to agreeing to lend, Black Horse asked Mr V to provide some information about his circumstances, including (amongst other things) his employment, income and some information about his expenditure.

Mr V declared he was self-employed, and his gross annual income was £40,000 (net monthly income of £2,543). Black Horse says it used a credit reference agency (CRA) report which cross-checked this income level against Mr V's current account turnover (known as CATO). Having done so, it appears Black Horse was only able to verify a gross annual income figure of £28,502 (net monthly income of £1,904). For clarity, this doesn't mean that Black Horse had access to Mr V's bank statements or his account history – it means that it used a credit reference agency which had a report of total receipts received into his current account.

Black Horse says it also asked Mr V about his monthly rent costs (he declared £45) and it estimated his share of the monthly outgoings as £372 based on national statistical data which calculates essential living costs by taking into account factors such as income, age and living status.

Black Horse also checked Mr V's credit file and, having done so, it found Mr V had a total unsecured indebtedness of £1,200. Black Horse estimated Mr V was paying around £22 towards his monthly credit commitments (which included revolving and non-revolving credit facilities).

Deducting this expenditure from Mr V's income, it looked like he had about £1,465 left over each month to meet his other commitments and general living costs. Once the monthly repayment for the lending in question (£463.27) is also deducted from this figure, Black Horse calculated Mr V was left with around £1,000 each month.

The credit search Black Horse carried out also revealed that Mr V had no significant adverse information such as defaults or County Court Judgements ("CCJ") recorded against him.

I've thought carefully about all of this and, having done so, I'm not persuaded the level of checks Black Horse carried out were proportionate. I'll explain why.

The loan was for £31,250 – which is a significant amount for any customer. And Mr V was set to commit around a quarter of what Black Horse understood to be his net monthly income to repay that sum over ten years, which meant he would pay £55,842.40 when the interest on the loan was factored in. Bearing in mind the loan term and amount, I think Black

Horse needed to do more to ensure it had a proper understanding of Mr V's overall financial situation to be satisfied he could afford the loan sustainably for the next ten years. I think such checks were not only proportionate but also necessary to determining whether the loan in question was likely to prove repayable on a sustainable basis.

In particular, I think it would have been reasonable for Black Horse to have conducted proper verification of Mr V's income, rather than relying on CATO. I think this is particularly the case noting that CATO revealed a discrepancy between Mr V's declared income and total receipts into his account. In addition, I think Black Horse ought to have enquired further into Mr V's living costs instead of relying on a combination of his declarations (with regards to rent) and statistical data.

With all of that being the case I think there were too many unanswered questions, both in terms of Mr V's actual income and essential expenditure. As a result, I'm not satisfied that its checks adequately gathered a proportionate amount of information as they failed to answer how much Mr V actually had left to spend after his existing commitments.

So, looking at things in the round, I don't think the checks Black Horse carried out were reasonable and proportionate. But this doesn't automatically mean it failed to make a fair a lending decision.

Would reasonable and proportionate checks have demonstrated that Mr V was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown Black Horse in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing Black Horse that Mr V would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that Black Horse hadn't considered in August 2022.

Mr V has provided bank statements covering the three months before he applied for the lending in question (i.e. May 2022 – July 2022). I'll refer to this as the 'Relevant Period'. I think this would have given Black Horse a good understanding of Mr V's overall financial circumstances. I accept that something that we can now see from the information Mr V has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks Black Horse might have decided to carry out. But, in the absence of anything else from Black Horse, I don't think it's unreasonable to rely on Mr V's bank statements when determining what his financial circumstances were likely to have been like before he applied for the lending in question.

Having looked at the bank statements for the Relevant Period I can see that, in terms of regular income, Mr V received state pension and what I understand was a private pension. These totalled about £1,020, on average, each month.

In addition, I can see Mr V received cash deposits of £700 in May and £660 in July. No cash deposits were received in the month of June.

During the course of his investigation, the investigator asked Mr V about these receipts. Mr V explained his "wife would top it [the account] up with money from around the house" and it was "money to take care of bills in the event there was a shortfall on the bank account".

Noting Mr V had declared he was as self-employed landlord during his application, Black Horse would have reasonable cause to conclude that these cash deposits were income from this source, particularly as these are not insignificant sums to have around the house.

However, in my view, the absence of a cash deposit in the month of June 2022, just two months prior to the lending in question, would call into question the reliability of this stream of income. And, had Black Horse seen this, I think it is likely it would have sought further reassurance about this before agreeing to lend. I say this noting the size and length of the lending in question, coupled with the fact that regular receipt of this income is central to the matter of whether of the lending in question was affordable.

It could have sought this reassurance in a number of ways. However, in the absence of anything else, I've looked Mr V's bank statements covering the three months prior to the Relevant Period (i.e. February-April 2022) to get an understanding of Mr V's income over an extended period of time. I'll refer to this as the 'Extended Relevant Period'. Having done so, they show Mr V only received a cash deposit once in the Extended Relevant Period (February 2022). This was for £400. He did not receive a cash deposit in either March or April 2022. Therefore, in the six months prior to the lending in question, Mr V only received this form of income on three occasions. What's more, each time the figure deposited into the account varied. This is not what one would expect to see in terms of rental income.

With all of that being the case, given the sporadic nature of these deposits and varying values, I think there was sufficient cause to call into question the reliability of this stream of income to the extent that, on balance, I do not think it could safely be included in an income and expenditure assessment notwithstanding what Mr V told (or likely would have told) Black Horse at the time. I say this bearing in mind the size of the lending in question and the length of time Mr V was expected to maintain repayments. It is in that context that I think Black Horse, if it had seen this information prior to agreeing to lend, could not reasonably have been satisfied that this represented a consistent and regular part of Mr V's income.

As I've said, setting aside the cash deposits, Mr V's income on average was about £1,020, on average, each month.

The bank statements show Mr V's regular committed expenses (Direct Debits and Standing Orders) over the Relevant Period – this includes, amongst other things, payments towards utilities, telecommunications, and insurances¹. Having done so, Mr V's committed expenditure (excluding payments to the credit card which it appears he used for his day-to-day living expenses) averaged about £705 a month.

Once Mr V's average monthly committed expenditure (£705), as well as the monthly repayment for the lending in question (£463.27), is deducted from his average regular monthly income during the Relevant Period, Mr V would be left without funds to meet his day-to-day living costs, such as food, petrol and other normal living expenses.

Therefore, if Black Horse had made more searching enquiries about Mr V's financial situation, as I think it should have done, then I don't think it would have agreed to lend.

With all of that being said, even if I were to consider the cash deposits during the Relevant Period as contributory to Mr V's average income, I still don't think Black Horse should have agreed to lend.

I say this because, in that case, Mr V's monthly income - which comprised of his state pension, private pension and cash deposits – was, on average, around £1,476 during the Relevant Period. This is considerably lower than the figure Black Horse relied on when

making its lending decision (£1,904). And it means the repayments towards the lending in question represented just under a third of Mr V's average net monthly income which he would have been expected to maintain over a 10-year period. This, in and of itself, may be a cause for concern.

As I've said, Mr V's regular committed expenses (Direct Debits and Standing Orders) over the Relevant Period averaged about £705 a month. Once this, as well as the monthly repayment for the lending in question (£463.27), is deducted from his average regular monthly income during the Relevant Period, Mr V would be left without about £307 each month for his day-to-day living expenses.

Mr V was not using his bank account for his day-to-day living expenses. Instead, Mr V was using a credit card provided by another lender for this purpose. And I can see, during the relevant period, Mr V was making not insignificant payments (between £296.47 and £972.22) to clear his credit card each month. I accept this would include, at least in part, discretionary spending. So I don't think it would be fair to consider these payments representative of his day-to-day living expenses.

However, the credit card statements we have been provided (which cover a complete month) suggest Mr V was spending around £260 at supermarkets and on petrol, as well as other committed expenditure (such as a TV subscription). Deducting this from the disposable income I've set out above, Mr V would have left with less than £50 once his regular committed expenditure, living costs and the repayments towards the lending in question. This would not leave Mr V with a reasonable margin to meet any unexpected costs which surely occur in day-to-day life over the course of ten years. This, in my view, left Mr V in a precarious financial position.

Therefore, even if Black Horse were to include the cash deposits as regular streams of income (which I'm not necessarily persuaded would have been reasonable), I still don't think it made a fair lending decision.

In response to the investigators findings Black Horse said that, in May 2024, Mr V offered to pay £15,000 to reduce his future instalments, before he chose to return the goods under voluntary termination. Further, Black Horse has said Mr V told it that, after the caravan had been sold, that he would have been willing to pay for the goods outright, based on the amount it received from the park. It is my understanding that Black Horse is using this to evidence Mr V was financially stable and either had money elsewhere or other means he could have made payments.

When asked about this, Mr V said:

"We asked for a final figure thinking as we had made [payments totalling] £9,000. And if we could have sold the caravan privately, we were offered £22,000 so this would have been £31,000. The caravan cost £32,000 approx. so we could have found the extra payment from family. But [we were] informed that the [agreement] was front loaded with interest so there for we could not afford to pay this off."

On balance, I'm not persuaded by Black Horse's argument here. As the investigator noted, there is no evidence Mr V had these funds readily available to him. And I think this is supported by the fact that it seems Mr V was not in a position to pay the reduced final liability figure of £7,000 Black Horse put forward in October 2024.

Therefore, having thought carefully about the facts of this case, I am not persuaded Black Horse made a fair decision when it agreed to lend.

Putting things right

As I think this agreement should not have gone live as it was not sustainably affordable for Mr V then I am asking Black Horse, as far as possible, to put him back in the position he would have been in had he not taken out the agreement. In the circumstances, I agree with the investigator's proposed resolution.

As a start point, I don't think it would be reasonable for Black Horse to benefit from keeping any part of the deposit when it shouldn't have agreed to provide the credit agreement to Mr V. So, I think it's fair for Black Horse to reimburse Mr V the full deposit of £250 together with interest.

However, Mr V did have use of the caravan for a period of around 24 months, and I think it's fair that he pays for that usage. There isn't an exact formula for working out what fair usage should be. However, in deciding what's fair and reasonable, I've thought about the amount of interest that was charged under the agreement and the usage Mr V likely had of the caravan. In doing so, I think the investigator's proposal that Mr V should pay is £260 for every month he had use of the caravan seems reasonable in the circumstances. Therefore, I think it would be fair and reasonable for Black Horse to only ask him to repay a total of £6,240. I invite submissions from either party as to why this is not fair in the circumstances of this case.

If Mr V has paid more than that amount, then he has no further liability to Black Horse and it should reimburse any payment over that amount to him with interest.

I also think that as the agreement shouldn't have gone live Mr V shouldn't suffer any detriment from any inability to keep to the payments and Black Horse should therefore remove any adverse information from her credit file about this account.

In summary, to resolve this complaint, I provisionally think Black Horse should:

- *End the agreement with nothing further to pay.*
- *Reimburse Mr V his £250 deposit together with annual interest at the rate of 8% simple from the date of payment until the date of settlement.*
- *Calculate how much Mr V has paid in total and deduct £6,240 for usage and refund any overpayments together with annual interest at the rate of 8% simple from the date of payment until the date of settlement.*
- *Remove any adverse information recorded on Mr V's credit account about this account.*

Responses to my provisional decision

I invited both parties to provide any further comments and/or submissions in response to my provisional decision. The deadline for doing so was 9 December 2025.

Both parties have now confirmed that they have nothing further to add. So, to avoid delaying matters, I will proceed to issue my final decision ahead of the expiry of the deadline.

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 reconsidered the available evidence in this complaint – and in the absence of any further submissions or evidence from either party - I see no reason to depart from the findings set out in my provisional decision.

This being that, based on the information available and for the reasons set out in provisional decision, I do not think Black Horse acted fairly when it agreement to lend and it must take steps to put things right (see below).

Finally, I've considered whether the relationship between Mr V and Black Horse might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr V in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

In order to put things right, Black Horse should take the following steps (if it has not already done so) within 28 days of Mr V accepting this decision:

- End the agreement with nothing further to pay.
- Reimburse Mr V his £250 deposit together with annual interest at the rate of 8% simple from the date of payment until the date of settlement.
- Calculate how much Mr V has paid in total and deduct £6,240 for usage and refund any overpayments together with annual interest at the rate of 8% simple from the date of payment until the date of settlement.
- Remove any adverse information recorded on Mr V's credit account about this account.

If Black Horse considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Mr V how much it's taken off. It should also give Mr V a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint and direct Black Horse Limited trading as Black Horse to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 6 January 2026.

Ross Phillips
Ombudsman