

The complaint

Miss M has complained that Black Horse Limited unfairly provided her with credit for a car.

What happened

In August 2022, Miss M entered into a finance agreement with Black Horse for the purchase of a car as shown below.

| Date | Amount of credit | Term | Monthly payment | Total repayable |
|-------------|------------------|-----------|-----------------|-----------------|
| August 2022 | £17,498.00 | 48 months | £229.10 | £26,310.80 |

In January 2025, Miss M complained to Black Horse saying she didn't think Black Horse had lent to her responsibly. She felt it had failed to undertake a reasonable assessment of her creditworthiness at the time of the lending. Miss M has said that at the time of the lending she had just entered into her first mortgage, was on a low income and that her employment wasn't secure. She's said had Black Horse completed the appropriate checks it would have found the lending was unsuitable for her and that this led to an unfair relationship.

Black Horse looked into Miss M's complaint and issued a final response letter explaining it believed it had acted fairly when completing its checks. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies held about Miss M and asking her about her income. It said it verified her income using her bank statements and made a reasonable estimate of her expenditure. Based on the information it found, Black Horse believes its decision to lend was fair.

Miss M didn't accept Black Horse's response, so she referred her complaint to our service. One of our investigators looked into it, and based on the evidence available, our investigator said they didn't think Black Horse's decision to lend was unfair.

Miss M didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint 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.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did Black Horse carry out reasonable and proportionate checks to satisfy itself that Miss M was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did Black Horse make a fair lending decision?
- Did Black Horse act unfairly or unreasonably towards Miss M in some other way?

Black Horse had to carry out reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit sustainably. It needed to assess the likelihood of Miss M being able to repay the credit, as well as considering the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments, the cost of the credit and the customer's circumstances.

Black Horse has provided a copy of the credit search it undertook. This shows Miss M didn't have any recent adverse markers on her credit file, that she wasn't over-indebted and was managing her credit well. So, I don't think there's anything here that should have prevented Black Horse from lending.

Black Horse has said Miss M told it her annual income was around £25,000. It's said it verified this using Miss M's bank statements, but it hasn't provided evidence to demonstrate this. Black Horse has also said that although Miss M didn't declare any housing costs it allowed for a sum of just over £400 to account for living costs alongside Miss M's other credit commitments. Again, it hasn't provided any evidence of how it reached this figure. I acknowledge Miss M was managing her active credit well at the time of the lending. But given the lack of evidence around how the checks were performed, I can't reasonably conclude the checks were proportionate.

As this is the case I must try and recreate what I think proportionate checks would have shown. There are a number of ways proportionate checks can be completed, and for the avoidance of doubt, I'm not making a finding here that Black Horse needed to see Miss M's statements in order to lend to her. That said Miss M has been able to provide this service with copy bank statements from the time of the lending. In the absence of any other evidence, I think it's reasonable to rely on these to establish what Black Horse would likely have found.

I can see from the statements for the three months prior to the lending Miss M had an average income of around £1,646 each month and the account had a healthy credit balance. So, had Black Horse verified her income as it says it did, I think it's likely it would have found Miss M's income broadly matched what she had declared.

In addition to the debt repayments identified by Black Horse, Miss M had minimal other outgoings and no payments to rent or a mortgage or utilities. There was a communications account, media subscription, an account fee and insurance. This all came to less than the figure Black Horse had allowed for living costs and so I'm not satisfied that a proportionate assessment of Miss M's expenditure would have shown the agreement to be unaffordable.

Taking account of the income into Miss M's account and the essential committed expenditure shown in the statements, she appears to be left with a reasonable disposable income to cover repayments to this agreement, any financial shocks and leisure activities. So, if proportionate checks had been completed, Black Horse would have reasonably concluded the agreement was sustainably affordable for Miss M.

Overall, I think Black Horse needed to provide more evidence of the checks it completed. But based on the information available, I'm not satisfied the decision to approve the lending was unreasonable.

Miss M has argued that her living costs weren't properly taken into consideration and that it would have been reasonable for Black Horse to take into account her upcoming mortgage payments. I've considered what she's said but I don't agree. I say this because in the agreement that Miss M signed, Black Horse made her aware that it used the information she

had supplied to assess her creditworthiness. So, if she knew her costs were likely to increase in the near future and this may affect her ability to repay, it would have been reasonable for her to inform Black Horse of this. I can't see that Miss M shared that she was about to start repaying a mortgage or that Black Horse should reasonably have been aware of this in some other way. So, I don't think it's reasonable to conclude Black Horse should have known about, and accounted for, the mortgage. However, for completeness, I have added up the regular costs Miss M had at the time of the lending, the sum allowed by Black Horse for living costs, and Miss M's mortgage payments. Having done this I'm satisfied that Miss M would on balance have still had enough disposable income to sustainably afford the agreement.

I can see that Miss M maintained the agreement well without any payment issues up to the date of the complaint. And I can't see she's been in touch with Black Horse to let it know she was struggling financially. So, I haven't seen anything here to suggest Black Horse treated Miss M unfairly throughout the life of the agreement.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. But overall, it's not clear enough to me that Black Horse created unfairness in its relationship with Miss M by lending to her irresponsibly, or in the way it handled the account under the credit agreement. And I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here. I'm very sorry to disappoint Miss M, but for the reasons set out, I don't find that Miss M's relationship with Black Horse was unfair, and I can't conclude Black Horse treated her unfairly in any other way based on what I've seen.

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 Miss M to accept or reject my decision before 9 April 2026.

Charlotte Roberts
Ombudsman