

Complaint

Miss R complains that Black Horse Limited (“Black Horse”) unfairly entered into a hire-purchase agreement with her. She’s said that the monthly payments to this agreement were unaffordable as she was already under financial pressure and had limited disposable income.

Background

In October 2022, Black Horse provided Miss R with finance to facilitate the purchase of a used car. The purchase price of the vehicle was £29,950.00. Miss R paid a deposit of £100 and entered into a personal contract purchase (“PCP”) hire-purchase agreement with Black Horse, which had a term of 48 months, for the remaining amount she needed.

The amount lent was £29,850.00 and the loan had total charges of £8,431.40 (made up of hire purchase charges (or interest) of £8,421.40, and a purchase fee of £10).

This meant that the total amount to be repaid of £38,281.40 (not including Miss R’s deposit) was due to be repaid in 48 monthly instalments of £531.56, followed by an optional final payment of £12,787.00 which Miss R had to pay if she wished to keep the vehicle.

Miss R’s complaint was considered by one of our investigators. She didn’t think that Black Horse had done anything wrong or treated Miss R unfairly. So she didn’t recommend that the complaint should be upheld.

Miss R disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss R’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss R’s complaint. I’ll explain why in a little more detail.

Black Horse needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Black Horse needed to carry out proportionate checks to be able to understand whether any lending was affordable for Miss R before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Black Horse says it agreed to Miss R's application after Miss R provided details of her employer and details on her expenditure. It says it also carried out searches with credit reference agencies which not only showed that Miss R's bank account received monthly credits consistent with the amount it used for this application, but also that Miss R had no significant adverse information such as defaults or County Court Judgements ("CCJ") recorded against her. And the credit that Miss R did have outstanding was well maintained.

In Black Horse's view, when the amount owing plus the amount Miss R declared for her living expenses were deducted from the monthly income amount arrived at, the monthly payments were affordable.

On the other hand, Miss R says that these payments were unaffordable because she was already under financial pressure and had limited disposable income.

I've thought about what Miss R and Black Horse have said.

The first thing for me to say is that, on the face of things, the information Black Horse obtained at the time does suggest that it was reasonable for it to conclude that when Miss R's committed regular living expenses and existing credit commitments were deducted from what she received each month, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept it's possible that Miss R's actual circumstances at the time might have been worse than she let on. For example, I have seen what Miss R has said about already being under financial pressure and having limited disposable income. However, Black Horse's checks showed Miss R had a low amount of active debt. So it isn't simply the case that Miss R was servicing her commitments the amount she owed, her repayments to existing credit were low and there is nothing at all to suggest that Miss R's use of credit was unsustainable.

For the sake of completeness, I'd also add that even if I were to say that Black Horse should have done more in this instance, this would have been limited to taking further steps to ascertain Miss R's living expenses. As Black Horse had already taken steps to assess Miss R's income against the funds going into her account and did a credit check, I'm satisfied that it was entitled to rely on this and, at the absolute best, simply supplement this with further information on Miss R's actual living costs.

However, the information that I've been provided with, doesn't show that Black Horse doing this would have resulted in it making a different lending decision either. I say this because the bank statements show that Miss R's committed non-discretionary expenditure was low as she lived at home with parents, as she led Black Horse to believe at the time of her application. So even if Black Horse had done more here, for the sake of completeness I would add that I wouldn't expect Black Horse to have requested the statements for the multiple bank accounts Miss R has now provided us with, I'm not persuaded that it would have acted differently.

I also have to keep in mind that Miss R's most recent submissions are being made in support of a claim for compensation. And despite what she is now saying, it's fair to say that Miss R considered it a reasonable time to purchase the vehicle that she did. In these circumstances, I think that any explanations she would have provided at the time are more

likely to have been with a view to persuading Black Horse to lend to her, rather than highlighting any unaffordability.

I'm sorry to hear that Miss R found it difficult to make her repayments and I've seen the effect that this subsequently had further down the line. However, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I don't think that Black Horse could possibly be expected to have realised that Miss R would have had difficulty making her payments, or that the agreement was unaffordable for her at the time it accepted her application.

In reaching my conclusions, I've also considered whether the lending relationship between Black Horse and Miss R might have been unfair to Miss R under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Black Horse irresponsibly lent to Miss R or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while Black Horse's checks may well have been proportionate, I'm, in any event, satisfied that carrying out further checks won't have stopped Black Horse from providing these funds, or entering into this agreement with Miss R. So I'm not upholding this complaint. I appreciate that this will be disappointing for Miss R. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 30 April 2026.

Jeshen Narayanan
Ombudsman