DRN-6257907

The complaint

Mr W and Mrs W were provided with a £26,760 hire purchase agreement (HPA) by Evergreen Finance Limited in June 2017. They say the lending was irresponsible.

What happened

Mr W and Mrs W acquired a static caravan in 2017 which was in part funded by a HPA. They have raised a separate complaint about the caravan being mis-sold. This decision addresses their complaint that the HPA wasn't suitable or affordable and that Evergreen Finance didn't provide meaningful support or options when they said they were struggling with the payments.

Our investigator didn't uphold this complaint. He noted the checks Evergreen Finance carried out before the HPA was agreed. These included and income and expenditure assessment and verifying the income figures. However, he noted that the information provided didn't include details of existing credit commitments. Therefore, he couldn't say that the checks were proportionate.

Our investigator didn't think that Evergreen Finance was required to request copies of bank statements before lending, but he used these to understand what would have been identified had checks of Mr W's and Mrs W's credit commitments taken place. He found that there was an existing payment for a loan and also noted that Mr W and Mrs W had said they needed to pay £400 a month ground rent for the caravan. Our investigator thought that including these costs in the affordability calculation didn't suggest the HPA to be unaffordable.

Our investigator also considered Mr W and Mrs W's complaint about the support they received when they experienced financial difficulties. He noted that they had maintained the payments until April 2020 when Mrs W called Evergreen Finance to say she had lost her job and that Mr W had been furloughed. Evergreen Finance said it discussed the possibility of a payment break, but Mrs W advised that she didn't expect a change in their circumstances in the near future, and requested details for ending the agreement and voluntarily surrendering the caravan. Our investigator said he hadn't seen any evidence to contradict this version of events and thought that Evergreen Finance had provided a reasonable level of support when contact was made.

Mr W and Mrs W didn't accept our investigator's view. They said the disposable income calculation didn't accurately reflect their situation and the financial pressure they were under and thought the income figure included overtime payments which didn't reflect their baseline income. They said they were in discussions with a debt charity at the time and that while they maintained payments for a period of time, they had prioritised these at the expense of basic living standards. Mrs W said that when all their commitments were taken into account their disposable income was very limited and that Mr W retired in July 2017 reducing their income. They said they had to take out a high-cost loan less than a year later to pay the ground rent.

Mr W and Mrs W said that by the time they discussed terminating the agreement, they were in acute financial difficulty, and a payment break wouldn't have provided a long-term

solution.

Our investigator responded to Mr W and Mrs W's comments. However, as their view didn't change, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

As part of the application process for the HPA, Evergreen Finance gathered information about Mr W and Mrs W's employment and residential status and carried out an income and expenditure assessment. Mr W and Mrs W said they were tenants and both employed full time. I note the comment that Mr W retired in July 2017, but there is nothing in the information he provided to alert Evergreen Finance to this, and both Mr W and Mrs W signed a declaration that said they weren't aware of any potential changes in their circumstances that would impact their ability to make repayments, such as retirement or reduction in hours. Therefore, I find it reasonable that Evergreen Finance relied on the information provided in regard to Mr W's employment.

Mr W's net monthly income was recorded as £1,244 and his expenses (including amounts for rent, council tax, insurances, entertainment, food, utilities, travel, clothing and telecommunications) totalled £569. Giving net disposable income of £675. Evergreen Finance verified Mr W's income with his payslip and Mr W signed the income and expenditure assessment to say it was accurate. I note the comment that has been made about Mr W receiving overtime payments, but the income assessment was based on his basic pay.

Mrs W's net monthly income was recorded as £1,144 with an additional £82 family allowance. Her expenses (including amounts for rent, council tax, insurances, entertainment, food, utilities, travel, clothing and telecommunications) totalled £569. Giving net disposable income of £657. Mrs W signed the income and expenditure assessment to say it was accurate.

However, as our investigator noted, details of a credit check from the time haven't been provided. Mr W has provided details from his credit report but given the time that has passed this may not include all the information that would have been available at the time of lending.

While I do not think that Evergreen Finance was required to request copies of Mr W and Mrs W's bank statements, I have used the information they contain to assess what would likely have been identified had questions about their existing credit commitments been asked. Having looked through joint account statements for the months leading up to the application these only show payments for one regular credit commitment, a loan with repayments of around £146. While I note the comment Mrs W has made about other credit commitments, these aren't shown in the bank statements. Deducting the existing loan

repayments and £400 for the ground rent that Mrs W said they needed to pay, would leave around £784 of disposable income to cover the cost of the HPA and any unforeseen costs. I do not find that I can say this suggested the HPA to be unaffordable.

I am sorry to hear of the financial difficulties that Mr W and Mrs W have experienced. I note the comment made about being in discussions with a debt charity at the time of the HPA, but I cannot see any evidence to show that they made Evergreen Finance aware of this. I appreciate that Mr W and Mrs W's financial situation changed but I can only consider what I think Evergreen Finance should have been reasonably aware of at the time of lending and in this case, I do not find I can say it was wrong to provide the HPA.

When Mrs W contacted Evergreen Finance in April 2020, this was the first time she had made it aware that they were struggling with the repayments. At this point I think it reasonable that the offer of a payment break was made but I also understand why Mrs W has said this wasn't suitable for them as it didn't provide a long-term solution. Based on the information I have seen, I think that Evergreen Finance acted reasonably at this time by providing details of how to terminate the agreement.

I've also considered whether Evergreen Finance acted unfairly or unreasonably in some other way given what Mr W and Mrs W have complained about, including whether its relationship with them might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Evergreen Finance lent irresponsibly to Mr W and Mrs W or otherwise treated them unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 5 May 2026.

Jane Archer
Ombudsman