

Complaint

Miss H 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 she already had several other accounts which were maxed out.

Background

In March 2019, Black Horse provided Miss H with finance to facilitate the purchase of a used car. The purchase price of the vehicle was £12,700.00 and Miss H also purchased extras worth £1,125.00. Miss H didn’t pay a deposit and entered into a hire-purchase agreement with Black Horse, which had a term of 60 months, for the entire amount.

The amount lent was £13,825.00 and the loan had interest charges of £2,469.40 and a £10 option to purchase fee. This meant that the total amount to be repaid of £16,304.40 was due to be repaid in 60 monthly instalments of £271.74.

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

Miss H 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 H’s complaint.

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

Black Horse needed to make sure 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 sustainable for Miss H 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.

Having carefully thought about everything I've been provided with, I'm not upholding Miss H's complaint. I'd like to explain why in a little more detail.

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

In Black Horse's view, when the amount owing plus the amount Miss H declared for her living expenses were deducted from her monthly income, the monthly payments were affordable. On the other hand, Miss H says that she was using an overdraft had other maxed out accounts, that these payments were unaffordable and there was no way she was going to be able to maintain them.

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

The first thing for me to say is that the information obtained at the time does appear to show that when Miss H'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.

Miss H has said that the information doesn't accurately reflect her financial position and that she was using his overdraft at the time. Miss H might have been using her overdraft but there isn't an automatic prohibition to lending to a prospective borrower who has used (or is using an overdraft) in the way that Miss H's arguments suggests she believes to be the case. Furthermore, Miss H's credit file showed that she had settled some of the loans she has referred to paying.

I do accept Miss H's actual circumstances at the time might have been worse than she let on – particularly as it's clear she would have wanted the vehicle. For example, I have seen what she's said about making payments to a family member that she owed money to. I'm sorry to hear about what she has said. But the key thing here is that Black Horse couldn't be expected to know about this particularly as this wouldn't have shown up in credit checks.

I'd also add that 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 this agreement might have been unaffordable for Miss H, given the reasonable and proportionate level of information it gathered here suggested that she could make her payments.

Overall and having carefully considered everything, I'm satisfied that carrying out further checks won't have stopped Black Horse from providing these funds, or entering into this agreement with Miss H. I'm therefore satisfied that Black Horse didn't act unfairly towards Miss H when it agreed to provide the funds.

So while I've considered everything that Miss H has said, I don't think that Black Horse acted unfairly or unreasonably towards her. And I'm not upholding this complaint. I appreciate that this will be disappointing for Miss H. 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 25 March 2024.

Jeshen Narayanan
Ombudsman