

The complaint

Mr E complains Black Horse Limited trading as Land Rover Financial Services (Black Horse) didn't complete appropriate checks when lending to him.

What happened

In October 2014, Mr E acquired a used car which was financed through a hire purchase agreement with Black Horse. He was required to make a first monthly repayment of £298.95, followed by 58 monthly repayments £149.95 and a final repayment on month 60 of £314.95.

Shortly after the agreement commenced Mr E unfortunately got into difficulties making his repayments. The agreement went into arrears and a repayment plan for a reduced monthly amount of £50 was agreed in the short term. Mr E later sold the car to a third party and the outstanding balance was written off, meaning whilst Black Horse still hold him liable for the debt, they are no longer chasing him for repayment.

Mr E complained to Black Horse in July 2022 after noticing a default on his credit file. He believes the finance was mis-sold because he struggled to make the monthly repayments and got into debt elsewhere by trying to do so.

Black Horse didn't uphold the complaint. Because Mr E remained unhappy, he referred his complaint to the Financial Ombudsman Service.

One of our Investigators looked into things but didn't think Black Horse acted unfairly because she was satisfied, they'd completed reasonable and proportionate checks prior to agreeing to provide finance to Mr E.

Mr E disagreed saying he was unemployed and in receipt of benefits at the time so Black Horse had acted irresponsibly as a lender. He also says he'd had a County Court Judgement (CCJ) registered against him for an unrelated debt shortly before taking out the car finance, so he doesn't agree reasonable and proportionate checks took place.

As no resolution could be reached, this case 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.

Having done so, I'm not upholding it. I realise this will be a disappointment to Mr E, so I'll explain why.

But first, Mr E has provided our service a great deal of evidence in support of his complaint, which I thank him for. I'm aware I've summarised this complaint in far less detail than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal 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 detail to be able to reach what I think is the right outcome reasonable in the circumstances of this complaint.

I've carefully looked at everything Mr E has said and provided, but I also must consider what Black Horse knew at the time of the application and take into account the relevant rules put in place by The Financial Conduct Authority, the regulator at the time.

The rules that apply to credit agreements are set out in the consumer credit sourcebook ("CONC") of the Financial Conduct Authority's handbook. CONC 5.2.3 is relevant here, as – among other things – it talks about the need for businesses like Black Horse to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've looked at the information and evidence Black Horse gathered before agreeing to provide the finance about Mr E's circumstances at the time.

Mr E told Black Horse he received an annual salary of approximately £18,000 and at the time had been employed by the same company for three years. Whilst I understand Mr E told our service this wasn't the case; Black Horse completed an affordability check. The check uses several sources such as current account turnover and previous credit applications to help verify the stated income and indicated to them a high level of confidence in the information Mr E had provided.

Black Horse also completed a credit check to help them understand how Mr E managed both his current and existing finances. This returned he held a clean credit history with multiple active credit relationships and no evidence of missed repayments in the six months leading to the application.

Black Horse also completed an affordability check using a range of data including information gathered from Mr E, the credit check results and statistical data. This showed against a monthly income of £1,287, Mr E had monthly expenses of £836 which left a disposable monthly income of £451. Having looked through the results from the credit check and the information provided to Black Horse at the time, I find the affordability check completed to have been reasonable and proportionate.

I understand Mr E has pointed to both a CCJ and recent missed repayments shortly prior to the lending being agreed. But I can only consider the result of the check completed at the time which didn't raise any concerns and gave Black Horse confidence the risk of lending to Mr E was low.

When an event such as a CCJ being registered occurs, it can take some time for it to reflect on a credit history. I can see in Mr E's case it was only registered two months prior to him applying for the car finance, so it's understandable it didn't appear on the search completed by Black Horse. I also can't see Mr E declared the CCJ during the application process, so I've seen nothing I think ought reasonably to have made Black Horse suspect Mr E wasn't being truthful with the information he'd provided.

While I don't doubt Mr E found himself in difficult circumstances around the time and I'm sorry to hear this, based on the evidence provided, I'm satisfied Black Horse did complete reasonable and proportionate checks prior to agreeing the finance and I don't think they acted unfairly by lending to him.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 7 August 2023.

Sean Pyke-Milne
Ombudsman