DRN-2206918

The complaint

Miss E believes Moneybarn Limited trading as Moneybarn acted irresponsibly by agreeing a conditional sale agreement she'd applied for.

What happened

On 21 August 2016 Miss E took out a £7,990 conditional sale agreement with Moneybarn, to be repaid over 60 months with repayments of £268.42 a month. This was used to finance a used car and was repaid in full in December 2019.

Miss E has complained that Moneybarn didn't act responsibly when approving this finance agreement. She says they didn't assess her affordability adequately – when she applied she wasn't working many hours, was claiming disability benefits, and Moneybarn only considered the statements for one of her bank accounts. So they didn't get a full picture of her finances. Moneybarn didn't agree they acted irresponsibly, so Miss E has brought her complaint to the Financial Ombudsman Service for investigation.

Our investigator said Moneybarn did a credit search and reviewed Miss E's bank statements when they agreed to the finance. The investigator said that the bank statements showed sufficient income to support the lending, but the credit file showed historic defaults. While the investigator didn't think the defaults were a reason why the lending should've been declined, she thought Moneybarn should've done additional checks.

The investigator considered the information that would've been provided to Moneybarn had they done these additional checks. And she thought this showed the finance would've been affordable to Miss E. Because of this the investigator said that, even if Moneybarn had carried out proportional checks when deciding to lend, they'd most likely have seen the finance was affordable. So she didn't think Moneybarn needed to do anything more.

Miss E didn't agree with the investigator. She's said she had a suspended repossession order a month before she made the application. She's also said that, when she applied for a mortgage in 2019, she was told by the mortgage company that the mortgage and Moneybarn finance agreement were unaffordable. And she's said that she struggled to maintain payments to Moneybarn.

Miss E has provided bank statements from around the time she took out the agreement with Moneybarn. And she's asked for an ombudsman to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy itself that the lending was affordable, and that the affordability was sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair. And if reasonable and proportionate checks weren't carried out, I need to consider if the loan would've been approved if the checks had taken place.

There's no set list for what reasonable and proportional checks are, but I'd expect lenders to consider things such as the amount, duration and payments of the loan being applied for; as well as the borrowers' personal circumstances at the time of each application.

Moneybarn haven't been able to provide a copy of the credit search they did at the time of Miss E's application in 2016. It's not beneficial for any lender to approve a loan without checking the affordability, otherwise they have too great a risk of not getting any money back. And checking a credit file is both a key part of this, and also part of Moneybarn's approval process. So I don't think Moneybarn not being able to provide a copy of the credit search means they didn't do one.

I've seen a copy of the bank statements Miss E provided to Moneybarn at the time of the application. These show a total weekly income of £2,640.50 over seven weeks from one source, and two (possibly) weekly payments from another source. But this second income is not consistent over the period of the bank statements. So I'd think it reasonable for Moneybarn just to use the first income, which averages £377.21 a week or £1,634.60 a month. I've noted these bank statements don't show any outgoings but do show Miss E transferred money to another account on a regular basis.

Moneybarn have said they used an average income of £1,495.10 a month – less than the figure I've calculated from the bank statements. They've also said that, based on the information contained within the credit search they did, Miss E's regular credit commitments cost her £268.42 a month, so they considered their payment to be affordable.

I'm aware that Miss E has said the bank statements Moneybarn used weren't her statements. And she's provided statements for the same account, for the same period of time, which have different transactions on them.

Miss E made her loan application through a third-party car finance provider I'll call 'Z'. She uploaded her bank statements to Z, who provided them to Moneybarn through an online portal. I've seen the bank statements Z provided to Moneybarn and these match the bank statements Moneybarn used to make their lending decision; not the bank statements Miss E provided as part of her comments on the investigator's view.

I'm unable to say why the bank statements Miss E has now provided don't match the bank statements Z provided to Moneybarn. But there's nothing on the statements Moneybarn received to indicate that they're not genuine. So I think it was reasonable for Moneybarn to rely on them when making their decision. If Miss E has any concerns about how Z dealt with her bank statements, she would need to raise this with them directly.

I've also seen a copy of Miss E's credit file, dated May 2019, and this contains historic details from when the application was made in 2016. So I've considered the information in this report and taken this to be what Moneybarn would've seen at the time. But, because the balances on credit agreements would've changed between 2016 and 2019, I can't accurately calculate how much Miss E would've paid for her monthly credit commitments from this credit file.

This credit file shows Miss E had six credit agreements / financial products in August 2016, where all of the payments were up to date and there were no historic arrears. But this also shows Miss E had five defaults between January 2014 and January 2015. Different lenders have different criteria for lending, so I agree that the defaults don't necessarily mean that Moneybarn should've automatically declined the application. Especially because Miss E had maintained payments on all of her 'live' credit, and the latest default was 18-months old.

But I also agree that Moneybarn should've done further checks before approving the finance agreement, especially because of the number of defaults in a short space of time. Given the presence on another bank account, I believe Moneybarn should've obtained copies of the statements for this (second) account so they could confirm if the finance agreement was affordable.

I've also noted that this credit file shows Miss E took out a number of credit agreements after the Moneybarn finance agreement was approved. But it doesn't show her mortgage. So, even though Miss E said she had a suspended repossession order, Moneybarn couldn't have known this unless Miss E told them about it. And I've seen nothing to show that she did. So I can't say Moneybarn have done anything wrong by not taking into consideration things they weren't aware of.

And the presence of additional credit agreements means that Miss E's financial situation changed after the agreement with Moneybarn was taken out. So, just because she was told in 2019 that a mortgage and Moneybarn's lending weren't affordable at that time, it doesn't follow that Moneybarn's lending wasn't affordable in 2016. This would depend entirely on what Miss E's financial situation looked like in 2016.

I've reviewed the bank statements Miss E's provided, for her second bank account. Which is what I'd have expected Moneybarn to have done at the time.

The statements for the second bank account cover the period 14 June 2016 to 13 September 2016. Miss E has also provided later statements, but as these show her financial position after she had the finance from Moneybarn, I've not considered these. The statements I've considered show an additional weekly income of £92.93 from Tax Credits and a 4-weekly payment of £307.60 from benefits – an additional £735.92 each month.

The statements also show regular outgoings of £655.04 for things other than credit commitments i.e. mortgage, council tax, utility bills, insurances etc. So, if Moneybarn had obtained and considered these statements, they should've used a monthly income of £2,370.52, monthly outgoings of £655.04 and their calculated credit commitments payment of £268.42. Which would mean Miss E would have £1,447.06 for their payment and general expenses, food etc. Based on this, if Moneybarn had done the additional checks, I'm satisfied their loan would've been affordable to Miss E at the time.

Given the above, I'm satisfied that the finance agreement wasn't irresponsible or unaffordable at the time it was approved. So I won't be asking Moneybarn to refund any payments, charges or interest.

My final decision

For the reasons explained above I don't uphold Miss E's complaint about Moneybarn Limited trading as Moneybarn.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 9 February 2021.

Andrew Burford
Ombudsman