

## **The complaint**

Mr M complains that Moneybarn No. 1 Limited shouldn't have agreed to lend to him under a conditional sale agreement on the grounds that it was not affordable.

## **What happened**

In April 2018 Mr M entered into a conditional sale agreement with Moneybarn to fund the acquisition of a car. The agreement set out that Mr M would pay Moneybarn a total of £26,676.25 by making monthly payments of £448.75 over 60 months.

Mr M subsequently was unable to meet the contractual payments of the agreement. Ultimately, after requesting Mr M repay arrears which had grown, Moneybarn recovered the car and sold it in March 2019. It asked Mr M to repay the remainder of the loan.

Mr M subsequently raised a complaint about the agreement in October 2019. He said, in summary, that the loan was provided irresponsibly because it was not affordable. Mr M said he'd later experienced financial difficulty as well as challenging personal circumstances. He asked Moneybarn to refund interest and charges he had paid and to remove adverse information it had recorded with credit reference agencies.

Moneybarn responded to Mr M's complaint in November 2019. It said it had performed a credit search and asked Mr M to provide it with proof of his income by way of his wage slips. It said that Mr M's application had met its lending criteria and the loan was therefore affordable. It was satisfied that it had not made an error regarding interest applied to Mr M's account, nor information it had recorded with credit reference agencies.

Moneybarn acknowledged that Mr M had faced challenging personal circumstances and experienced financial difficulties due to his absence from work following the unfortunate death of his father in late 2018. But, overall it was satisfied that that it had made reasonable efforts to help Mr M given his circumstances.

Mr M referred his complaint to this service. He reiterated that he didn't think the loan Moneybarn had given him was affordable and that should have been clear from the credit check it completed as well as the bank statements Mr M had provided.

Our investigator didn't uphold the complaint. They concluded that Moneybarn had carried out reasonable and proportionate checks to ensure that Mr M could repay the loan in a sustainable way. They also found that Moneybarn had made sufficient efforts to try to help Mr M regain control of his payments. They sympathised that Mr M had experienced challenging personal circumstances but didn't think that Moneybarn had acted unfairly overall.

Mr M disagreed. He said that Moneybarn didn't ask him about his financial commitments, many of which wouldn't have been visible from his credit file or bank statements. Our investigator said that Moneybarn wasn't required to ask Mr M every detail of his income and expenditure. They said that Moneybarn could assess income and expenditure by way of considering a number of sources such as credit checks, statistical data, as well as looking at

bank statements and payslips. They maintained that Moneybarn had carried out reasonable and proportionate checks as it had been required to, and that the factors Mr M had cited were not sufficient to say that Moneybarn ought not to have lent to him.

Mr M asked for the case to be passed to an ombudsman, so it's been given to me.

### **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.

From what Mr M has said it's clear that he feels strongly about his complaint and he believes that Moneybarn did not treat him fairly for a number of reasons. I can assure Mr M that I've carefully considered all of the points he's made and all of the evidence he's provided in relation to his complaint. Mr M may consider that my findings don't mirror the level of detail of his submissions, but that's simply a reflection of the informal nature of our service. My decision will address what I consider to be the relevant points relating to Mr M's complaint.

In considering what's fair and reasonable regarding the affordability of Mr M's loan, I'll take into account relevant law, rules and guidance, codes of practice as well as what I consider to have been good industry practice at the time.

Moneybarn has regulatory obligations under the Consumer Credit Sourcebook or "CONC". It says that lenders need to carry out checks to ensure that any lending it gives is affordable and that repayments are sustainable for the borrower.

Applying this to Mr M's complaint, I need to determine whether Moneybarn carried out reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the loan in a sustainable way. If I find that it did not, then I need to consider whether reasonable and proportionate checks would have shown that he could sustainably repay the loan.

Carrying out reasonable and proportionate checks doesn't look the same for every customer. I'd have expected Moneybarn to take into account a number of factors to determine what a reasonable and proportionate check was for Mr M's circumstances, including (but not limited to) Mr M's financial circumstances, the amount of credit, the total repayable as well as the duration of the agreement and size of the regular payments.

Moneybarn has told us that to assess whether Mr M's loan was affordable it carried out a credit check and asked for evidence of his income, which it received in the form of wage slips as well as bank statements. Moneybarn has said that by conducting a credit check it determined Mr M's level of debt and existing financial commitments.

Moneybarn hasn't provided this service with a copy of the results of the credit check it carried out. But the results of its check would have effectively shown what was represented on Mr M's credit file at the time. He's given us a copy of his credit file and told us that he believes the information on it ought to have stopped Moneybarn from agreeing to lend to him.

Having reviewed Mr M's credit file, specifically the information which would have been present at the point he applied for a loan with Moneybarn, I accept there's a number of defaulted accounts present, as well as a County Court Judgement (CCJ). I understand why Mr M believes Moneybarn ought to have been cautious about lending to him given this. But, it doesn't necessarily follow that Moneybarn did something wrong by lending to Mr M, or that it should have carried out more checks than it did.

Generally speaking, businesses are entitled to use discretion about whether they choose to lend to consumers with adverse information on their credit file. So, it's for Moneybarn to determine its appetite for risk in deciding whether or not to lend to customers with an adverse credit history. If, however, it knows a customer had adverse credit information, I'd expect it to take into account the particular circumstances behind it as it might be an indication that a consumer might be in financial difficulty, especially if it's recent.

In Mr M's case I can see that the most recent default on his credit file, at the time he applied, was in December 2017. It was recorded by a debt collection agent in respect of a hire purchase agreement. Given that particular agent isn't regulated to provide hire purchase agreements and the account was opened in 2014 I think it's likely to represent an account that had been defaulted prior to 2017 and simply continued to report it from the point it was passed to the collection agent. In any case, for the avoidance of doubt I'll interpret this as an account which defaulted in December 2017.

The next most recent entry was a default in relation to a credit card account in July 2016. The CCJ was recorded in March 2016, and the remainder of the defaults on Mr M's credit file were recorded prior to this.

I think that all of this indicates that Mr M could have experienced financial difficulty between 2015 and 2016. But I don't think that it gives an obvious or clear indication that Mr M had experienced financial difficulty or hardship at the time he applied for a loan with Moneybarn in 2018, or as much as a year before that, aside from the default recorded in December 2017. I'm not satisfied that particular default in isolation is indicative of wider financial difficulties, nor that Moneybarn ought to have interpreted it in that way. In any case, I'd have expected Moneybarn to weigh this information up against the other evidence Mr M gave it before deciding whether further checks were appropriate.

Mr M gave Moneybarn copies of recent wage slips as well as bank statements. Moneybarn has said that the loan Mr M applied for featured regular payments which made up 12% of Mr M's monthly income, which didn't exceed its lending criteria, so it was considered affordable. However, I'm not satisfied that this is accurate. I'll explain why.

Moneybarn said that Mr M's wage slips showed that in the two months leading up to his application he averaged a net income of around £3,500. Whilst that's correct, I also think it's clear from those wage slips that it wasn't necessarily representative of the salary which Mr M would usually expect to receive, which was noted as being £35,000 per year. Mr M's said his usual monthly income would be around £2,300, which I believe is consistent with that.

Both of the wage slips Mr M provided showed an additional payment by way of a travel allowance. I don't know whether that would've continued, effectively increasing his monthly income, but in any case, I think it's fair to say that on the assumption Mr M would receive a net monthly income of a minimum of £2,300, the required payments of £488.75 made up approximately 21% of Mr M's income, leaving him with a disposable income of around £1,800 per month.

From what Moneybarn has told us of its lending criteria, I'm satisfied that even if I accept the loan repayments made up 21% of Mr M's income, his application would have still met its lending criteria and it likely would not have asked for more.

Taking into account what I've said above, specifically that Mr M's credit file didn't show any new adverse information in the year leading up to his application (other than one defaulted account), that Mr M's credit file as well as bank statements were likely a reasonable indicator of his financial commitments and level of debt and that he was able to demonstrate that he would be earning (at a minimum) £35,000 per year, I think that the affordability checks that

Moneybarn completed were reasonable and proportionate. I say this with particular regard for the size, duration and overall cost of the borrowing Mr M applied for. And it follows that I'm not satisfied that Moneybarn's lending was irresponsible.

I know that Mr M feels strongly that Moneybarn ought to have asked for further details of his expenditure because he doesn't consider that his bank statements and credit file were an accurate representation of those costs. I accept that Mr M's bank statements show few committed regular financial commitments, other than those associated with childcare and maintenance. They do show a number of cash withdrawals and transfers, account charges, as well as what appears to be discretionary spending. Overall, I don't think the statements Mr M provided Moneybarn with ought to have necessarily caused it to ask for further information about his expenditure. Additionally, I think that in the absence of Mr M telling Moneybarn that the evidence he'd given it was not representative of his expenditure, it was reasonable for it to rely on that information as though it was an accurate representation of Mr M's financial position.

I'm aware that later in the year that Mr M took the loan with Moneybarn he subsequently experienced particularly challenging personal circumstances and I understand that contributed to him experiencing financial difficulties. However, based on what both parties have said and submitted, I think it's fair to say that it seems Moneybarn treated Mr M fairly, with forbearance and due consideration as I'd have expected it to.

### **My final decision**

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 July 2021.

Stephen Trapp  
**Ombudsman**