

## **The complaint**

Mr S complains that Moneybarn No 1 Limited was irresponsible in lending him money to buy a car.

## **What happened**

In July 2015 Mr S acquired a car costing £21,300 funded by a conditional sale agreement with an APR of 28%. This was repayable over 59 monthly installments of £629.66. Several months later Mr S changed jobs and notified Moneybarn that his income had dropped by £10,000. It carried out an income and expenditure (i&e) analysis and concluded Mr S was able to afford the payments.

Mr S struggled to make payments and in May 2019 complained to Moneybarn. It rejected his complaint, but said that if he made contact it would work with him to agree a sustainable repayment plan. The car was subsequently repossessed and it was sold at auction. Mr S was left to pay the balance

Mr S brought his complaint to this service where it was considered by one of our investigators who didn't recommend it be upheld. He didn't think the fact Mr S had defaults and missed payments should have caused Moneybarn to deny him credit. It had carried out an affordability assessment and reviewed his payslips. Overall, he was satisfied that Mr S had met the criteria for lending.

Mr S didn't agree and said he had a number of defaults showing on his credit file which should have alerted Moneybarn to his financial status. Our investigator asked Mr S for his bank accounts for the period around the time the loan was taken out. These were obtained and showed that his main account was kept in credit and he had a regular salary coming in.

I issued a provisional decision as follows:

I explained I had I have given this complaint a great deal of thought and after due consideration I believed it should be upheld. I explained why.

I was satisfied that Moneybarn followed its processes when it granted the loan. Although I hadn't seen all its internal records, I had no reason to doubt it carried out the checks it normally did in similar loan applications. I was also satisfied that it was affordable at that point despite Mr S's credit history. His pay slips and bank statements showed someone who was coping financially and while the loan payments would have been stretching, I believed they were affordable.

However, I was concerned at what happened in October 2018 when Mr S contacted Moneybarn to say he had lost his job and was now employed at a lower salary. He said that his gross income had reduced by £10,000. Moneybarn has supplied the i&e form which it said it completed with him. I asked for further details of how this was done and whether Mr S was given time to give informed answers. Moneybarn failed to respond to this request.

Given the loan repayments were stretching when he was earning £10,000 more, I couldn't

see how he could be expected to maintain them going forward. His income in June 2015 according to his bank statements was just under £3,000 a month and I saw that the incomplete i&e form showed his reduced monthly income as £3,000. I said the i&e form was incomplete because many of the boxes regarding his job etc. were not filled in.

Comparing the i&e form with details shown in his bank statements from a few months earlier I could see that several items of expenditure were understated. As Mr S had contacted Moneybarn to explain his problems I believed a more considered review was required and if that had been undertaken, I believed it would have been clear the loan would have unsustainable in its existing form.

Regrettably I didn't have full details of what happened when the car was repossessed or what Mr S owes which makes it difficult to determine the appropriate redress. Mr S had suggested that he repay the capital he owes, but Moneybarn forgoes any interest. That struck me as a responsible and reasonable request, unless I was given any evidence or reasoning which suggested otherwise.

### **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.

Mr S agreed with my provisional decision, but Moneybarn did not respond despite being reminded. I can only conclude that it too is in agreement. That means my decision remains unchanged.

### **Putting things right**

Moneybarn should forgo interest from October 2015 and It should also ensure it works with Mr S in a sympathetic and positive manner It should also ensure it works with Mr S in a sympathetic and positive manner to deal with any outstanding money that may be due.

### **My final decision**

My final decision is that I uphold this complaint and I direct Moneybarn No 1 Limited forgo any interest due on the loan from October 2015 onwards and remove any adverse entries it placed on Mr S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 February 2021.

Ivor Graham  
**Ombudsman**