

The complaint

Miss W complains that Moneybarn No. 1 Limited (“Moneybarn”) shouldn’t have agreed to lend to her under a conditional sale agreement on the grounds that it was unaffordable.

What happened

In April 2017 Miss W entered into a conditional sale agreement with Moneybarn to fund the acquisition of a car costing £12,250. The agreement set out that Miss W would pay Moneybarn a total of £22,019.39 by making 59 monthly payments of £373.21.

In February 2020, and having made all payments required of her to date, Miss W complained to Moneybarn that it shouldn’t have agreed to lend to her because the monthly payments she was required to make – at £373.21 – were unaffordable.

In April 2020 Moneybarn issued Miss W with a final response letter (“FRL”). Under cover of this FRL Moneybarn said, amongst other things, that:

- Miss W, as it had requested, provided it with her two last payslips (February and March 2017) which showed she was receiving a net monthly income of £2,280.
- The proposed monthly payment of £373.21 represented approximately 16% of Miss W’s net income – within its lending criteria.
- Miss W signed a number of declarations to confirm that the agreement was affordable.

In October 2020, and after Miss W had referred her complaint to our service for investigation, Moneybarn confirmed to our service that:

- As well as asking for Miss W’s latest two payslips, it carried out a credit check.
- Its credit check showed that Miss W had no County Court Judgements (“CCJs”) and one single default – a default for less than £100 and which was over four years old.

Miss W’s complaint was considered by one of our investigators who came to the view that it shouldn’t be upheld. In summary he said Moneybarn didn’t carry out reasonable and proportionate checks before approving the agreement.

But even had it done so, such checks wouldn’t have shown Miss W wouldn’t be able to sustainably repay the agreement.

Miss W didn’t agree with the investigator’s view so her complaint has been passed to me for review and 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.

First I would like to say that although Miss W might have liked more time to provide evidence and comments in support of her complaint, I'm satisfied that she has had sufficient time to do so and it would not be appropriate to delay the issuing of this decision any longer.

From what Miss W has said, it's clear that she feels strongly about her complaint and she believes that Moneybarn shouldn't have lent to her.

I can assure Miss W that I've carefully considered all of the points she's made and all of the evidence she's provided in relation to her complaint. Miss W may consider that my findings don't mirror the level of detail of her 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 Miss W's complaint.

In considering what's fair and reasonable regarding the affordability of Miss W's agreement, 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 Miss W's complaint, I need to determine whether Moneybarn carried out reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the agreement in a sustainable way. If I find that it didn't, then I need to consider whether reasonable and proportionate checks would have shown that she could sustainably repay the agreement.

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 Miss W's circumstances, including (but not limited to) Miss W'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 Miss W's agreement was affordable it carried out a credit check and asked for evidence of her income, which it received in the form of two wage slips. Moneybarn has said that by conducting a credit check, and having received two wage slips, it determined that the agreement was affordable.

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 Miss W's credit file at the time.

Miss W has provided with us with a number of copies of her credit file, the oldest being dated October 2019.

I've looked at the credit file dated October 2019 and this shows that Miss W, prior to the agreement with Moneybarn being taken out, had the following material information recorded:

- No CCJs.
- Two payday loans repaid in 2014.
- One outstanding default balance, in respect of a payday loan, for £1,285 (January 2014).

- One outstanding default balance, in respect of a payday loan, for £726 (December 2013).
- One satisfied default balance, in respect of a credit card, for £178 (April 2014).

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.

Now I appreciate that a credit file report dated October 2019 (as provided by Miss W) won't have recorded the same information that a credit file report dated April 2017 (as checked by Moneybarn) would have had recorded. But given that information recorded with credit reference agencies remains recorded, in the main, for six years, I'm satisfied that the credit file report provided by Miss W dated October 2019 can reasonably be relied upon as being indicative of her 'financial standing' in April 2017.

Put another way, any adverse information that may have been recorded against Miss W in April 2017, but not recorded against Miss W in October 2019, must have been at least three and half years 'old' in April 2017.

So taking what I understand Moneybarn's credit check in April 2017 would have discovered about Miss W's credit 'status' and what her two supplied salary slips showed, I don't necessarily agree that Moneybarn should have undertaken further checks. But for the sake of completeness I've gone on to consider what further checks might have disclosed about Miss W's ability to repay the agreement in a sustainable way.

Now it's not my role to say what further checks Moneybarn could (or should) have undertaken. But it's my understanding that had it, by way of example, requested sight of and considered the content of Miss W's bank statements then it would have still concluded that Miss W would have been able to repay the agreement in a sustainable way.

Like the investigator I'm satisfied that sight and consideration of Miss W's bank statements (for the material time) would have confirmed her income as being in the region of £2,280 a month and that she had an average monthly committed expenditure of around £1,300 – leaving an average disposable income of £980.

I've also gone on to consider what a completed income and expenditure form might have disclosed about Miss W's ability to repay the agreement in a sustainable way had one been completed by Moneybarn.

Now like the investigator I've considered what Miss W has told us about her income and expenditure in early 2017. But notwithstanding I can't say for certain what Miss W might have thought to have shared with Moneybarn in early 2017, I'm simply not persuaded a completed income and expenditure form would have, or reasonably should have, caused Moneybarn to conclude that Miss W wouldn't have the ability to repay the agreement in a sustainable way.

I appreciate Miss W will be disappointed by my decision, but taking everything into account I can confirm that I'm simply not persuaded that Moneybarn has done anything wrong in the particular circumstances of this case.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 29 October 2021.

Peter Cook
Ombudsman