

The complaint

Mr C believes Moneybarn No.1 Limited acted irresponsibly by agreeing a loan he'd applied for. He also believes they treated him unfairly by not offering him a payment deferral.

What happened

On 8 August 2017, Mr C entered into a conditional sale agreement with Moneybarn. The agreement was for £10,900; with 59 monthly repayments of £347.21.

Mr C has complained that Moneybarn didn't act responsibly when approving the finance, because it wasn't affordable at the time. He's also said that, in March 2020, he was struggling financially after his father passed away and he had increased expenses, such as funeral costs, to pay. And he doesn't think that Moneybarn acted fairly by refusing his request for a payment deferral.

Mr C complained to Moneybarn. But they didn't agree they'd acted irresponsibly when they approved the finance. And, because Mr C was substantially in arrears at the time, they also thought they'd acted reasonably by refusing the request for a payment deferral. So, Mr C brought his complaint to us for investigation.

Our investigator said that Moneybarn hadn't been able to evidence all the checks they did at the time they approved the finance. But they did validate Mr C's income and the monthly repayments were around 22% of this income, which didn't breach Moneybarn's internal lending criteria. Mr C was unable to provide any information of his financial situation at the time of the application. And, given this, the investigator said there wasn't enough evidence to say that Moneybarn had acted unreasonably by approving the finance.

The investigator also said that, at the time Mr C asked for a payment deferral, he was more than £3,400 in arrears. While the investigator appreciated that Mr C's finances were further strained by his father's unfortunate death, and by the Covid-19 pandemic; he said that a payment deferral may not have been in Mr C's best interests – it would've increased the required monthly repayment and put Mr C in a worse financial situation. So, he didn't think that Moneybarn had acted unreasonably by not agreeing to this.

Mr C didn't agree. He said that he was suffering from mental health issues and wasn't in a position to *"be chasing documents from years ago."* He didn't think it was fair to give Moneybarn *"the benefit of the doubt"* in a situation like this feels the investigator *"took there {sic} side."* So, Mr C 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.

Affordability

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?
 - a. if so, did Moneybarn make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr C could sustainably repay the borrowing?
2. Did Moneybarn act unfairly or unreasonably in some other way?

And, if I determine that Moneybarn didn't act fairly and reasonably when considering Mr C's application, I'll also consider what I think is a fair way to put things right.

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?

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

Moneybarn said they carried out credit check when they assessed Mr C's application. And, while they haven't been able to provide us with a copy of the check itself, they have provided the credit reference agency's reference number for this search.

Unfortunately, we're unable to obtain a copy of the search from the credit reference agency, even with the reference number. But I've no doubt that Moneybarn would've carried out this check, as to lend to any customer without doing even this basic check would've been extremely risky.

Moneybarn have also said C provided them with bank statements for July and August 2017, which they assessed as part of their checking procedures. While Moneybarn haven't been able to provide copies of these bank statements, Mr C hasn't disputed that he provided them at the time.

Moneybarn have said Mr C's income, as shown by the bank statements, was £1,574.40 a month. And, when assessing the credit search and the bank statements, they considered the monthly payments of £347.21 to be affordable.

Because Moneybarn haven't been able to provide evidence of the checks they carried out at the time, I'm unable to say if those checks were reasonable and proportionate.

Would reasonable and proportionate checks have shown that Mr C could sustainably repay the borrowing?

For me to assess what any reasonable and proportionate checks would've shown, I need to see some evidence of Mr C's financial situation at the time of his application. And this information can only be provided by Mr C – I'm unable to obtain a credit check of copies of his bank statements from the credit reference agencies or his bank.

I've seen that Mr C has been asked for this evidence. And while, in his comments on the investigator's view, he said he wasn't able to provide this information due to his mental health issues; in an email dated 29 October 2021, he said that he was now able to send in an up to date copy of his credit file, and copies of his bank statements from the time of his application. However, he hasn't done so.

The Financial Ombudsman Service is an informal dispute resolution service, acting as an alternative to the courts. This means we're impartial and look at both sides of the story. We don't place more weight on one side's story because of who they are. We ask questions and weigh up all the information we're given. But, where there is a lack of specific evidence, as is the case here, I need to base my decision on what I think most likely happened.

Moneybarn have been able to provide some information to show they checked Mr C's income and affordability when assessing his application. And Mr C hasn't disputed that he provided some information to them. Moneybarn have also provided the figures they used to show Mr C could afford the agreement, and these figures show that to be the case.

So, for the reasons stated above, I haven't seen anything that shows me that Moneybarn acted irresponsibly when approving the finance agreement.

Did Moneybarn act unfairly or unreasonably in some other way?

I haven't seen anything to show me that Moneybarn acted unfairly or unreasonably in some other way when they approved the agreement Mr C applied for. So, I won't be asking Moneybarn to unwind the agreement and refund any interest or charges to Mr C.

Payment deferral

Mr C has explained how his finances were affected in early 2020, due to the death of his father. He's also explained that he worked in retail, so his income was affected by the national lockdowns - he says he didn't work from March to November 2020. Because of this, he thinks Moneybarn acted unfairly by refusing his request for a payment deferral.

On 27 April 2020 the Financial Conduct Authority (FCA) issued guidance to financial businesses about how they should deal with requests like that from Mr C. This guidance says a firm providing motor finance agreements should grant a payment deferral for "*3 months unless the firm determines (acting reasonably) that it is obviously not in the customer's interest to do so.*"

Mr C's agreement first went into arrears in January 2018. And, between April 2018 and February 2020 he agreed eight separate payment plans with Moneybarn. From what I've seen, each of these failed because Mr C didn't keep up with the repayments. And his arrears increased from £821.53 in April 2018 to £3,436.99 in March 2020. So, I'm satisfied that Mr C's financial difficulties weren't because of either the Covid-19 pandemic, or the financial pressures resulting from his father's death.

If Moneybarn had agreed a payment deferral, then this would've resulted in the deferred payments being split across the remaining term. And Mr C's required payment increasing. As he was in long-term arrears, caused by long-term financial difficulties, I'm in agreement with Moneybarn that it was not in Mr C's interests for a payment deferral to be granted. So, I don't think they did anything wrong by refusing his request.

However, the FCA's rules also say that "*a firm must treat customers in default or in arrears difficulties with forbearance and due consideration.*"

I've seen that Mr C made Moneybarn aware of his medical condition in August 2019. And, because of this, Moneybarn didn't terminate his agreement in 2019 or 2020, despite issuing both default and termination notices. What's more, they continued to work with Mr C to agree payment plans to help him clear his arrears, based on the income and expenditure statements he completed.

Given this, I'm satisfied that Moneybarn acted fairly and reasonably when dealing with Mr C's arrears. And I won't be asking them to do anything more.

My final decision

For the reasons explained above I don't uphold Mr C's complaint about Moneybarn No.1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 March 2022.

Andrew Burford
Ombudsman