



The complaint

Mrs W complains that Moneybarn No. 1 Limited (“Moneybarn”) irresponsibly granted her a loan she couldn’t afford to repay.

What happened

In November 2014, Mrs W acquired a car and financed that deal through a conditional sale agreement with Moneybarn. Mrs W was required to make monthly payments of £305.08 over 60 months after which she would take ownership of the car. The total repayable under the agreement was £21,449.72 and an initial payment of £3,450 was made by Mrs W towards the agreement. The agreement has now been repaid in full.

Mrs W says that Moneybarn didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. Moneybarn didn’t agree. It said that it carried out a thorough assessment which included verifying Mrs W’s income through wage slips and checking her credit file.

Our adjudicator recommended the complaint be upheld. She thought Moneybarn ought to have realised the agreement wasn’t affordable for Mrs W.

Moneybarn didn’t respond to our adjudicator’s view so the case has been passed to me for 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.

Moneybarn will be familiar with all the rules, regulations, and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision.

The payslips Moneybarn reviewed showed them that Mrs W was earning about £1,284 per month on average. The repayments on the loan she was applying for therefore represented a large proportion of her income. Moneybarn have explained they noted some historic defaulted debt on her credit file but hasn’t provided a copy of the credit check it completed. Mrs W’s bank statements show that she had other loans at the time, I think it’s likely they would have shown on the credit check Moneybarn reviewed, and I think given the defaulted debt, the presence of other credit commitments and the amount of the loan, it ought to have indicated that Mrs W was likely to be struggling financially. It therefore would have been proportionate for Moneybarn to have dug deeper and got a more thorough understanding of Mrs W’s financial circumstances before lending.

I think it would have been proportionate for Moneybarn to have found out more about Mrs W's committed expenditure, such as her living costs. I can't be sure exactly what Moneybarn would have found out if it had asked. In the absence of anything else, I think it would be reasonable to place significant weight on the information contained in Mrs W's bank statements as to what would most likely have been disclosed.

I've reviewed three months of bank statements leading up to the lending decision. These show that Mrs W was paying about £1,100 towards her committed living expenditure including mobile phone, insurances, council tax, and household costs. She also had credit card debt and was making payments towards a payday loan. Her income was about £1,284 so this left a disposable income of about £184 from which to pay the £305.08 monthly instalment on this motor agreement. This demonstrates that Mrs W didn't have enough disposable income to afford the additional borrowing. Moneybarn therefore didn't act fairly by approving the finance.

Putting things right

As I don't think Moneybarn ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. Mrs W should therefore only have to pay the original cash price of the car, being £13,450. Anything Mrs W has paid in excess of that amount should be refunded as an overpayment.

To settle Mrs W's complaint Moneybarn should do the following:

- Refund any payments Mrs W has made in excess of £13,450, representing the original cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mrs W's credit file regarding the agreement.

*HM Revenue & Customs requires Moneybarn to take off tax from this interest. Moneybarn No. 1 Limited must give Mrs W a certificate showing how much tax it's taken off if Mrs W asks for one.

My final decision

I uphold this complaint and direct Moneybarn No. 1 Limited to put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 18 January 2022.

Phillip McMahon
Ombudsman