

The complaint

Mr K complains that Moneybarn No. 1 Limited, trading as Moneybarn, irresponsibly granted him a loan he couldn't afford to repay.

What happened

In January 2019, Mr K acquired a car and financed the deal through a conditional sale agreement with Moneybarn. Mr K was required to make 48 monthly repayments of £197.86. The total repayable under the agreement was £9,699.42.

Mr K says that Moneybarn didn't complete adequate affordability checks. He 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 a review of Mr K's credit file and validation of his income. They also said they had reviewed statistical data to establish what Mr K's expenditure was likely to be.

Our adjudicator didn't recommend the complaint be upheld. She thought Moneybarn didn't act unfairly or unreasonably by approving the finance agreement.

Mr K didn't agree and explained that after one year he fell into arrears on the account and couldn't keep up with payments. He said at that point Moneybarn reassessed his agreement and extended it.

Mr K asked for a final decision by an ombudsman.

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. Information about our approach to these complaints is set out on our website.

The credit check Moneybarn completed showed, amongst other things, there was an active default and a recent County Court judgment against Mr K. I think this ought to have indicated that Mr K was likely to be struggling financially. It therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Mr K's financial circumstances before lending.

I've considered what Moneybarn would likely have found out if it had completed reasonable and proportionate affordability checks. We've asked Mr K to provide us with evidence of his financial circumstances at the time the lending was taken out. I've been able to review bank statements from before the application was made but it's clear from those statements that Mr K was also regularly transferring money to another account. He hasn't provided statements

from that account so I don't think he has given us enough information to fairly determine what proportionate checks would likely have shown Moneybarn.

As Mr K hasn't been able to demonstrate that the agreement was unaffordable, I can't reasonably conclude that Moneybarn ought to have known he would struggle to make the repayments.

It's Moneybarn's decision to lend to Mr K in January 2019 that I'm considering here and not any subsequent extension of the agreement. I'm therefore not persuaded that Moneybarn acted unfairly in approving the finance.

My final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 25 March 2022.

Phillip McMahon
Ombudsman