

The complaint

Miss H complains that Moneybarn No. 1 Limited, trading as Moneybarn, irresponsibly granted her a loan she couldn't afford to repay.

What happened

In July 2019, Miss H acquired a car and financed the deal through a conditional sale agreement with Moneybarn. Miss H was required to make 36 monthly repayments of £183.66. The total repayable under the agreement was £6,428.10.

Miss H 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 a review of Miss H's credit file and validation of her income. They noted she was earning no less than £1,240 per month and statistical data they gathered suggested Miss H's expenditure would be around £632. So, they believed she would have enough disposable income to afford the monthly instalments. They also received a letter from Miss H's Insolvency Practitioner (IP) who said that despite her being in an Individual Voluntary Arrangement (IVA) they were happy for Miss H to take out the loan she was applying for.

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

Miss H didn't agree. She noted that the adjudicator had thought Moneybarn should have done more checks and she explained that she would've liked to provide bank statements from the period leading up to her application but she'd had to close her bank accounts and couldn't get them.

Miss H 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.

Moneybarn were aware that Miss H was in an IVA and that there had been a defaulted account about three months before Miss H made her application. I think that ought to have indicated that Miss H was likely to be struggling financially. It therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Miss H'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 Miss H to provide us with evidence of her financial circumstances at the time the lending was taken out. However, she hasn't given us enough information to fairly determine what proportionate checks would likely have shown Moneybarn. I've read Miss H's explanation that her bank accounts were closed but I think it would have been possible for her to obtain sufficient statements as the banks need to retain those records for a reasonable period.

As Miss H hasn't been able to demonstrate that the agreement was unaffordable, I can't reasonably conclude that Moneybarn ought to have known she would struggle to make the repayments. The IP had, after all, raised no concerns. I'm therefore not persuaded that Moneybarn acted unfairly in approving the finance.

Miss H has explained the issue has affected her mental health and at the time of application it was at its lowest. I was really sorry to hear that but I can't see from Moneybarn's system notes that they were aware of that issue when the application for finance was made, and I don't think it would be fair to say I had evidence Moneybarn had been unsupportive.

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 Miss H to accept or reject my decision before 24 March 2022.

Phillip McMahon
Ombudsman