

## The complaint

Mr W complains that Moneybarn No. 1 Limited irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

Mr W is represented by a third party but for ease of reference I have referred to Mr W throughout this decision.

## What happened

In June 2015, Mr W acquired a used car financed by a conditional sale agreement from Moneybarn. Mr W made a £100 advance payment and was then required to make 59 monthly repayments of £328. The total repayable under the agreement was £19,453.

Mr W 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 credit check to assess Mr W's credit worthiness and level of indebtedness and verifying Mr W's income from his payslips. It says based on this information the agreement was affordable and that Mr W made his payments on time and settled the agreement in December 2018.

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

Moneybarn didn't agree. It asked for sight of the information used in reaching the view which was sent to it. It also asked further questions about where the funds had come from in December 2018 to settle the agreement. Mr W provided information that he had received an unexpected bonus payment from his employer which he had used to settle his high cost finance.

## *My provisional conclusions*

I issued a provisional decision on this complaint. I concluded in summary:

- Moneybarn verified Mr W's income but wasn't able to show that it asked Mr W about his expenditure. It completed a credit check, (which I didn't see a copy of) but this wouldn't have indicated what Mr W's regular living expenses were. Without knowing what Mr W's regular committed expenditure was Moneybarn wouldn't have got a reasonable understanding of whether the agreement was affordable or not. Therefore, I didn't think it had completed proportionate checks.
- I didn't think given the size of the repayments compared to Mr W's income that verification of expenditure was required (unless further questions raised concerns) but I did think it would have been proportionate for Moneybarn to have found out more about Mr W's committed expenditure, such as his living costs. I couldn't be sure exactly what Moneybarn would have found out if it had asked. So, while I accepted Moneybarn wasn't required to request copies of Mr W's banks statements, in the absence of anything else, I thought it reasonable to place significant weight on the

information contained in Mr W's bank statements as to what would most likely have been disclosed.

- I reviewed three months of bank statements leading up to the lending decision. These showed that Mr W was paying around £600 a month for food and fuel and a further £1,000 towards his other committed living expenditure such as household costs and insurance. I didn't see a copy of Mr W's credit file but based on his bank statements he had taken out short term loans around the time and was making regular payments towards other credit commitments. However, taking all this into account against Mr W's income of £3,010, the repayments of £328 a month appeared affordable. Therefore, I didn't find I could say that Moneybarn acted unfairly by approving the finance.

Mr W responded to my provisional decision. He asked whether the certain payments were taken into account and noted that he was in a debt management plan at the time which was visible on his bank statements. He said proper checks would have shown he had defaulted accounts.

### **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.

As I set out in my provisional decision, I think that Moneybarn carried out reasonable checks regarding Mr W's income but should have gathered more information about his committed expenditure. Given the size of the repayments under the agreement compared to Mr W's income I don't think his expenditure needed to be verified but I do think questions to establish Mr W's committed living costs should have been asked.

I note Mr W's question in regard to my provisional decision about the expenses that were taken into account. I confirm I considered the information in his bank statements and the committed expenditure these showed. However, taking this into account, the agreement did still appear affordable.

I note Mr W's comments about the debt management plan. I did take the payments to this into account and also noted its presence. However, based on the evidence I have seen and considering what Moneybarn might reasonably have been aware of had it carried out what I think would have been proportionate checks, I do not find I have enough to say it was wrong to provide the agreement to Mr W. Therefore, I do not uphold this complaint.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 April 2022.

Jane Archer  
**Ombudsman**