

## **The complaint**

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

## **What happened**

In July 2016, Mr J acquired a used car financed by a conditional sale agreement from Moneybarn. Mr J made an advance payment of £2,500 and was required to make 41 monthly repayments of £396. The total repayable under the agreement was £18,725.

Mr J 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 and verifying Mr J's income through his bank statements. It noted that there was some adverse information on Mr J's credit file but said the latest defaulted account was from a year prior to the application. It said that agreement appeared affordable.

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

Mr J didn't agree and said the defaults on his credit file were only a year old and showed he couldn't maintain his payments.

## *My provisional conclusions*

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

- Before granting the finance, I thought Moneybarn gathered a reasonable amount of evidence and information from Mr J about his ability to repay. It completed a credit check and had sight of Mr J's bank statements for the two months prior to the application. However, this didn't automatically mean it made a fair lending decision.
- Moneybarn recorded Mr J's average monthly income as £1,870. I looked through the bank statements provided and came to a number lower than this amount of around £1,700. I also noted that Mr J was paid weekly, and the amounts varied. The statements provided showed one month giving a total monthly income of around £1,500 and the other month giving a total monthly income of nearer £1,900. The term of the agreement was 42 months and Moneybarn needed to consider Mr J's ability to make the repayments over the term and I thought that Mr J's variation in income should have been factored in.
- Moneybarn didn't provide a copy of the credit check it completed. However, it noted that Mr J had defaults recorded but that the most recent of these was from a year before his application. Mr J had five defaults recorded between August 2014 and June 2015. While these were more than a year old at the time of application, given the number I thought this should have raised some concerns.

- Moneybarn had Mr J's bank statements and saw his expenditure for the two months prior to the agreement. I reviewed the two months of bank statements and these showed that Mr J was paying around £800 for food, fuel and phone. He explained that the cash withdrawals were also used to pay his expenses and these averaged around £750 across the two months. Even if the full amount of the cash withdrawals wasn't included as expenses but accepting a significant part would be, I found that his expenses against an income that in some months would be around £1,500, meant that payment of just under £400 was unlikely to be sustainably affordable.
- Mr J's bank statements showed that he didn't have a balance over the repayment amount due under the agreement at any point during the two months for which statements were provided (aside for at one point when he received a payment of over £500 but the balance reduced the same day). I thought this further supported that taking on 41 monthly repayments of £396 months wasn't affordable. Therefore, I didn't think that Moneybarn acted fairly by approving the finance.

I didn't receive any new information in response to my provisional 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.

As I set out in my provisional decision, I think that Moneybarn gathered a reasonable amount of information before providing the finance. However, I think that had it considered this fully it would have realised that the repayments due under the agreement weren't sustainably affordable for Mr J. Therefore, I don't think that Moneybarn acted fairly by approving the finance.

As no new information was provided in response to my provisional decision, my conclusions haven't changed, and I am upholding this complaint.

### **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. Mr J should therefore only have to pay the original cash price of the car, being £11,100. Anything Mr J has paid in excess of that amount should be refunded as an overpayment.

To settle Mr J's complaint Moneybarn should do the following:

- Refund any payments Mr J has made in excess of £11,100, 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 Mr J's credit file regarding the agreement.

\*HM Revenue & Customs requires Moneybarn to take off tax from this interest. Moneybarn must give Mr J a certificate showing how much tax it's taken off if Mr J asks for one.

### **My final decision**

My final decision is that I uphold this complaint. Moneybarn No. 1 Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 6 May 2022.

Jane Archer  
**Ombudsman**