

The complaint

Mr B complains that Moneybarn No.1 Limited (“Moneybarn”), trading as Moneybarn, irresponsibly granted him a conditional sale agreement he couldn’t afford to repay.

What happened

In April 2016, Mr B acquired a used car financed by a conditional sale agreement from Moneybarn. From the agreement, it seems that Mr B was able to use the part-exchange value of his previous car to make an advance payment of £583. Mr B was required to make 59 monthly repayments of £277.64. The total repayable under the agreement was £16,963.76.

Mr B 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 checking his credit file and obtaining proof of income. It also said it was aware of existing debt defaults on his file but these were at least 10 months old.

Mr B started missing his monthly repayments around two months after taking out the agreement. The agreement was terminated in January 2017 when Mr B was unable to continue making the monthly repayments. A court order was made in March 2017 for the return of the car to Moneybarn which led to Mr B agreeing a consent order for future repayments. However, as Mr B was not able to keep up with the repayments, the car was eventually sold at auction in July 2019. The outstanding debt has now been sold to a third party.

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

Mr B didn’t agree and sent us details about his regular outgoings at the time. He says that Moneybarn was wrong to let him take out the agreement without full details of his household outgoings.

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

The information available to Moneybarn showed that Mr B had had a default around 10 months earlier. Mr B has also told us that he’d previously had a car repossessed in

2007-8 and his home repossessed in 2010-11. But I think the information about the relatively recent default ought to have been enough to prompt Moneybarn to realise it was unlikely Mr B would have been able to sustainably repay the borrowing. It would therefore have been proportionate for Moneybarn to have gathered significantly more detail about Mr B's financial circumstances before lending, such as verifying his income and expenditure.

I've considered what Moneybarn would likely have found out if it had completed reasonable and proportionate affordability checks. I agree with our adjudicator that from the bank statements Mr B provided to Moneybarn, whilst they show some of his committed expenditure, it would have been fair and proportionate for Moneybarn to ask Mr B for more details so that it could have gained a fuller picture of his financial situation at the time, including his daily living costs.

We've asked Mr B to provide us with further evidence about his financial circumstances at the time the lending was taken out. He gave us some details about his regular household outgoings. However, this information alone unfortunately isn't enough to fairly determine what proportionate checks would likely have shown Moneybarn. In particular, Mr B told us that some of his outgoings were paid from another account. Our adjudicator has given Mr B the opportunity to produce further evidence and information about his daily outgoings and committed expenditure but unfortunately he has not done so.

As Mr B 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. I'm therefore not persuaded that Moneybarn acted unfairly in approving the finance.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 June 2022.

Michael Goldberg
Ombudsman