

The complaint

Mr S, who is represented by a third party, complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In November 2016, Mr S acquired a used car financed by a conditional sale agreement from Moneybarn. Having paid a cash deposit of £400 Mr S was then required to make 59 monthly repayments of £460.15. The total repayable under the agreement was £27,548.85.

Mr S 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 search of Mr S's credit file and checking his income. Moneybarn also said it was aware of a previous default around 18 months prior to Mr S taking out the agreement.

Mr S has been sent several default notices and has also entered into a number of payment plans with Moneybarn. Our understanding is that he has retained the use of the car.

Our adjudicator looked into the complaint and didn't recommend the complaint be upheld. They thought Moneybarn didn't act unfairly or unreasonably by approving the finance agreement. Mr S sent us some further information about his regular outgoings at the time he took out the agreement but this didn't change our adjudicator's view.

Mr S and those representing him didn't agree. In particular they said Mr S's family had to help him out financially to be able to get the credit that Moneybarn had made an error in calculating his monthly income.

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.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mr S about his ability to repay. I say this because it completed a credit check to understand how Mr S had managed existing and previous finance arrangements and also verified Mr S's income using information from two months of bank statements which set out his regular commitments. I've seen that Mr S had a defaulted account 18 months earlier, and a county court judgment six months before he started the agreement.

However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed. Whilst the historical default and record of a county court judgment suggests that Mr S may have had some past financial difficulty, he appeared to be in better control of his financial and debt commitments by the time he took out the agreement.

I've reviewed the information and evidence Moneybarn gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr S. I say this because, taking into account his average monthly income in the two months before he took out the agreement – based on income he received for work rather than other sources – I can see he was receiving around £1,700 per month. Having then taken into account his typical level of monthly withdrawals, household bills and rent and not seeing any other evidence that he was getting into further financial difficulty, I don't think Moneybarn acted unfairly when approving the finance application. I say this having noted that Moneybarn may have relied on a higher figure for Mr S's income, including sums provided by family members. Having adjusted for this figure, however, I nevertheless agree with our adjudicator that Mr S would have still had been left with sufficient disposable income to cover his monthly repayments to Moneybarn.

Finally, I would like to add that I am sorry to hear about the difficult personal circumstances Mr S has recently experienced. However, given that my role is to look at the question of whether or not Moneybarn was right to provide Mr S with this agreement at the time he arranged the finance, this isn't something that will affect my finding.

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 S to accept or reject my decision before 16 June 2022.

Michael Goldberg
Ombudsman