

The complaint

Mr D complains that Moneybarn No. 1 Limited irresponsibly granted him a conditional sale agreement that he couldn't afford to repay. Mr D also complains that he was told that he could hand the vehicle in question back after a year.

Mr D is represented in this matter and representations have been made on his behalf; however, for ease of reference I will just refer to Mr D.

What happened

In September 2018, Mr D acquired a used car financed by a conditional sale agreement from Moneybarn No. 1 Limited ("Moneybarn"). Mr D was required to pay an advance payment of £528 and then 59 monthly repayments of £337.09. The total repayable under the agreement was £20,416.31.

Mr D 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 reviewing two months' worth of payslips and carrying out a credit check.

Our investigator didn't recommend the complaint be upheld. He thought Moneybarn didn't act unfairly or unreasonably by approving the finance agreement. And he didn't think that there was enough evidence that the dealership that Mr D visited had said that he could hand the car back after a year.

Mr D didn't agree and said it wasn't fair for our investigator to say that the results of Moneybarn's credit checks would have been roughly the same as those shown on a more recent credit file he had sent us. Mr D said that numerous defaults had dropped off his credit file and that he had significant arrears with his local council. He also said that Moneybarn would have clearly seen that he had no sort of income had they asked to see a copy of his bank statements when they considered his application. Mr D felt that Moneybarn should have carried out more checks than they did.

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. Our investigator also went into detail about this in his view.

I note that Moneybarn asked Mr D to provide proof of his income in the form of two months' worth of payslips. I will come to this part later on in my decision as I know this has been a particular bone of contention. Moneybarn didn't though ask Mr D about his expenditure. Although they say they completed a credit check, this won't have indicated what Mr D's regular living expenses were. Without knowing what his regular committed expenditure was, Moneybarn wouldn't have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn't complete proportionate checks.

I would just add here that Moneybarn hasn't been able to send us a copy of the credit check that they say they did. So, even if I thought that this was a reasonable method in determining Mr D's creditworthiness, I haven't been able to see whether they used that information fairly and appropriately.

I can't be certain what Mr D would have told Moneybarn had they asked about his regular expenditure. I don't think Moneybarn needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Mr D's bank statement that he shared with us, and other information provided by him, as an indication of what would most likely have been disclosed.

I've looked at the bank statement, which covers the three months leading up to the application for finance with Moneybarn, and can see that there was one recurring direct debit of about £25 for a gym membership and a direct debit to a telecommunications company for about £26. Mr D also said that he didn't have other committed monthly expenditure because he was living at home and wasn't responsible for rent, utilities or other household costs. So, there doesn't appear to have been much in the way of regular expenditure at the time.

I've also looked at the credit file Mr D sent to us. This shows that he had some defaulted accounts on his credit file. That could be a strong indication that Mr D had struggled to meet previous credit commitments. However, the defaults in questions were from around three years before his application with Moneybarn. I think it reasonable therefore for Moneybarn to have placed less weight on this because of the passage of time. Aside from the defaults, there wasn't anything of potential concern shown on the credit file.

I've mentioned that Mr D isn't happy that our investigator used the information shown on his credit file from early 2021 as a basis to compare what Moneybarn would have seen from their credit check in 2018. I agree that such a comparison won't necessarily be accurate because of the passage of time, and the information may well have changed during that time. I haven't solely relied on this, but it does give some indication of what may have been on Mr D's credit file at the time and what Moneybarn may have taken into account.

I've also looked at other evidence available to me. Mr D has recently sent copies of several debt collection letters as well as letters from bailiffs and evidence of court fines, as evidence about the financial difficulties he has experienced. I've seen though that these letters were all from around 2015. So, much like the defaulted accounts, this shows to me that Mr D was struggling financially at that time. It doesn't though show me that this was the case some three years later when he applied for finance with Moneybarn.

Bearing in mind Mr D's level of committed monthly expenditure, and apparent lack of recent issues with meeting financial commitments, it appears the agreement was affordable to him. I don't think it likely that Mr D would have disclosed anything to Moneybarn that would have shown a different picture, had he been asked.

There is another element here that I need to consider though, which I've mentioned above, and that is Mr D's monthly income. Moneybarn based their affordability assessment on two months' worth of payslips that they say were provided by Mr D. These show an average of around £2,700 take-home pay without taking overtime into account. So, if this was an accurate representation of Mr D's income at the time, it appears to show the agreement was affordable considering the monthly repayments required under the conditional sale agreement, and Mr D's likely monthly expenditure.

Mr D though says that these payslips are false because he wasn't earning anything close to this at the time. I've considered this point, however I can't see on what basis Moneybarn ought to have questioned this. There's nothing from what I can see that looks unusual or suspicious about the payslips. And I haven't seen sufficient evidence that these were falsified by the dealership or that they facilitated anything to falsify them. I think it was fair for Moneybarn to have relied on these as accurate. I don't think they ought to have tried to verify Mr D's income by any other method (such as looking at his bank statements).

Mr D has said that he suffers from dyslexia and that this meant he didn't understand the agreement he was entering into with Moneybarn. Businesses such as Moneybarn (and the dealership Mr D visited) have an obligation to make reasonable adjustments where appropriate so that consumers clearly understand the nature of the contracts and arrangements into which they are entering. Mr D though hasn't said that he made either business aware of this. That doesn't mean that businesses should do nothing until they are made aware. I've not been persuaded though that Mr D wasn't made aware of the terms of the agreement and I likely think this was explained to him verbally as well as in documentary form.

I've lastly considered Mr D's complaint point that the dealership told him he could hand the car back after a year or so. I can't though be sure that this wasn't simply the dealership explaining to Mr D that he had a possible option to do so, rather than a guarantee. I can't therefore be satisfied that the financial arrangement was misrepresented to him.

For the reasons I've given, I'm not persuaded that Moneybarn acted unfairly in approving the finance.

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 D to accept or reject my decision before 16 September 2022.

Daniel Picken
Ombudsman