

The complaint

Mr B complains about Moneybarn No.1 Limited trading as Moneybarn's ("Moneybarn") decision to lend him.

What happened

Mr B entered into a conditional sale agreement with Moneybarn in June 2019 to acquire a used car. The car cost £7,125 and under the agreement, Mr B was required to make 47 monthly payments of £263.98.

In July 2019, no payment was made towards the agreement. So Moneybarn asked Mr B to contact it. Mr B contacted Moneybarn and said he didn't realise a payment had been missed. He also asked Moneybarn to change his payment date and the account was brought up to date. In October and November 2019, Mr B missed further payments. In December 2019, Mr B contacted Moneybarn and let it know he'd experienced some concerns with his bank and that he'd been working abroad. He said he'd clear the arrears in January 2020. As the arrears weren't cleared by January 2020, Moneybarn issued a default notice. Moneybarn terminated Mr B's agreement in February 2020, due to the arrears owed under the agreement.

In March 2021, Mr B complained to Moneybarn. He said it hadn't carried out clear affordability checks at the time of lending to him and if it had done, it wouldn't have lent to him. He said his credit file at the time was showing a number of missed payments and defaulted accounts. He also said his bank statements showed he was spending a significant amount on gambling and he had a number of other loans at the time. He said his payslips at the time showed additional income he received for his work expenses and Moneybarn shouldn't have taken the expenses into account. He said because Moneybarn repossessed the car, this caused him distress and inconvenience.

Moneybarn issued its response to Mr B's complaint. It said it had carried out a credit check before agreeing to lend to Mr B, it obtained payslips from him and also assessed his expenditure by obtaining data from the Office of National Statistics ("ONS"). It said Mr B had signed to confirm his non-discretionary expenditure didn't exceed a certain amount. And it said even if it deducted the income Mr B received for his work expenses, it still considered that the agreement was affordable.

Unhappy with this, Mr B referred his complaint to this service. He reiterated his complaint and said to put things right he wanted Moneybarn to write off any amounts he owed, refund all payments and charges he had paid under the agreement, pay him 8% simple interest on these amounts, remove any negative information from his credit file and pay him £500 compensation for the distress and inconvenience caused to him.

Our investigator looked into the complaint, but she thought Moneybarn had made a fair lending decision when lending to Mr B. She said she didn't think Moneybarn had completed proportionate checks. But she said Mr B didn't provide this service with a copy of his credit file and so she couldn't say what Moneybarn would have likely seen at the time of lending. She also said Mr B's bank statements showed he had enough disposable income to maintain the payments owed under the conditional sale agreement.

Mr B disagreed. He said that his bank statements showed he was gambling and so he shouldn't have been offered a loan. He said these bank statements were provided to

Moneybarn at the time of the application. And he also said his average income was less than Moneybarn had said it was, so it shouldn't have lent to him.

Our investigator said that the gambling transactions were evident on Mr B's bank statements. But because she only thought Moneybarn needed to verify Mr B's expenditure and it wasn't required to obtain his bank statements, she didn't think likely that it would have been aware that Mr B was gambling at the time it approved the lending.

Mr B remains unhappy, so the complaint has been passed to me to decide.

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.

Where evidence is incomplete, inconsistent or contradictory, I reach my view on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr B's complaint.

Moneybarn needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was affordable for Mr B before providing it.

In this case, I think there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr B's complaint. These two questions are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay his loan without experiencing significant adverse consequences?
 - If so, did it make a fair lending decision?
 - If not, would those checks have shown that Mr B would've been able to do so?
2. Did Moneybarn act unfairly or unreasonably in some other way?

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay his loan without experiencing significant adverse consequences?

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay. I've carefully thought about what this means for Mr B's case.

In this case, Moneybarn has demonstrated some of the checks it carried out by providing us with the information it obtained from Mr B before deciding to lend. These checks included obtaining three months' payslips from Mr B and reviewing ONS data to assess average expenditure. It also said it carried out a credit check, but whilst it no longer has a copy of the results, it said the credit check showed Mr B had one account that had defaulted 10 months before the agreement was entered into. It said all of Mr B's other credit commitments were up to date and successfully maintained.

I've reviewed the payslips Moneybarn has provided. These show that Mr B's income was supplemented by an allowance for each of the three months before the lending was

approved. This is a consistent allowance which Mr B receives each month, so I don't think it's unreasonable that Moneybarn expected this allowance to be paid to Mr B each month. In addition, the contract Mr B entered into asked him to confirm his income wasn't less than a certain amount. Mr B confirmed it wasn't. But if we deduct the allowance Mr B received from his base income each month, his income would be less than the amount Mr B confirmed it was. But despite this, Mr B signed to say he received more than this amount each month. So I think it's unlikely Mr B told Moneybarn at the time that the allowance wasn't one he'd receive each month going forward.

Mr B told us that he had could see some defaulted accounts at the time Moneybarn approved the lending. He said other defaulted accounts had since been removed from his credit file. We asked Mr B to provide us with a copy of his credit file to help us understand what Moneybarn would more likely than not have discovered when deciding to lend to Mr B. However, Mr B didn't provide us with a copy of his credit file.

Having carefully considered this, given that Moneybarn was aware that Mr B had defaulted on an account around 10 months before it approved this lending, I think could suggest that Mr B was having difficulty in meeting his contractual obligations shortly before he took out this loan agreement. So I'm not satisfied that the checks Moneybarn carried out were proportionate and I think it should have carried out further checks to satisfy itself that Mr B would be able to repay his loan, without experiencing significant adverse consequences.

I've thought about what a proportionate check could look like considering the terms of the agreement. In this case, the repayments were due to last over around five years, the purpose of the lending was for an asset and the repayments were £263.98. I appreciate that Moneybarn did obtain some ONS data to suggest what Mr B's expenditure should be and Mr B confirmed that his expenditure wasn't over a certain amount. However, given the amount of the monthly payments and that the payments were due to last for around five years, I think Moneybarn should have asked for information about Mr B's expenditure, especially given that it may have been aware that Mr B's credit file showed some recent adverse information.

We've obtained bank statements from Mr B which demonstrate his circumstances at the time he applied for the lending. To be clear, I'm not saying that Moneybarn was required to obtain these before lending to Mr B, I'm simply saying I think it would have been reasonable for Moneybarn to ask Mr B about his expenditure at the time of lending. Given the amount of time that has now passed since the lending was approved, I've reviewed Mr B's bank statements because I think the information they contain is what is needed to reconstruct what a proportionate check may have looked like and to confirm what Mr B's expenditure likely was at the time.

I also accept that if Moneybarn had obtained information from Mr B about his expenditure at the time the agreements were taken out, this may have shown something different. However, in the absence of anything else from Moneybarn to demonstrate what any other checks would have shown, I think it's reasonable to place considerable weight on the bank statements as an indication as to what Mr B's expenditure was at the time.

Having reviewed the bank statements Mr B has provided this service, I'm satisfied Mr B had enough disposable income to sustainably make the repayments under the conditional sale agreement. Mr B's bank statements show two payments to loan providers and few other contractually monthly payments that he was liable for. The bank statements show a number of transfers to other accounts and payments in from sources other than his employer. But Mr B hasn't provided this service with any other statements and it's unclear whether Mr B would have provided these specific bank statements to Moneybarn had it asked him to, given he appears to have other accounts.

In light of this, had Moneybarn asked Mr B about his monthly expenditure, I think it's likely it would have found that Mr B had enough disposable income to make the repayments owed

under the conditional sale agreement. This is also the case if we deduct the allowances Mr B said he received within his income at the time.

I also accept that the bank statements Mr B has provided us show a number of gambling transactions. Mr B says Moneybarn should have picked up on this. But Moneybarn didn't obtain Mr B's bank statements at the time it lent to him and it wasn't required to. It only obtained a copy of Mr B's payslips at the time. So given it didn't need to obtain Mr B's bank statements at the time, unless Mr B told Moneybarn at the time about his gambling expenditure, which he didn't, Moneybarn wouldn't have reasonably been aware that Mr B was spending funds each month towards gambling transactions.

So, having carefully considered everything, I'm satisfied that whilst I don't think Moneybarn carried out reasonable and proportionate checks when lending to Mr B, I think if it had asked further questions about Mr B's expenditure at the time, this would have likely shown that Mr B would have been able to afford the repayments owed under the conditional sale agreement. So it follows that I think Moneybarn made a fair lending decision.

Did Moneybarn act unfairly or unreasonably in some other way?

I haven't been provided with any other information to suggest Moneybarn acted unfairly in any other way.

Mr B has an outstanding balance which is owed under his agreement. I'd remind Moneybarn of its obligation to treat Mr B with forbearance and due consideration if he is currently in financial difficulty.

My final decision

I do not uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 December 2022.

Sonia Ahmed
Ombudsman