

The complaint

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

What happened

In January 2016, Mr F acquired a used car financed by an agreement from Moneybarn. Having paid a cash deposit of £1,000 Mr F was then required to make 59 monthly repayments of £231.67. The total repayable under the agreement was £14,668.53 at an APR of 30.9%.

Mr F 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 F's credit file and checking his income. Moneybarn also said it was aware of a recent default (five months old), but this didn't cause it concern as Mr F was keeping up with all his other credit commitments.

Mr F was sent several arrears notices, notice of sums in arrears and default notices by Moneybarn and it appears that he entered into one or more formal or informal payment plans with it.

In November 2019 Mr F took the decision – as was his right – to voluntarily terminate the agreement. To account for this Moneybarn reduced the sum due and owing under Mr F's agreement by £3,243.38, leaving an outstanding balance due and owing of £1,295.01.

One of our investigator's looked into the complaint and concluded it shouldn't be upheld. He thought Moneybarn didn't act unfairly or unreasonably by approving the finance.

Mr F didn't agree and so his complaint has been passed to me for review and 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 and Mr F's appointed representative 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 F had had a default around five months old and that his income was around £550 less than he had declared he was earning in his application.

Like the investigator I think the above (alone or taken together) ought to have been enough to prompt Moneybarn to question whether Mr F could sustainably repay the finance. And because of my view in this respect it follows that it would have been both reasonable and proportionate for Moneybarn to have gathered significantly more detail about Mr F'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. Now it's not my role to make a finding on what further checks Moneybarn could and should have undertaken. But for the purpose of making a finding in this case I've gone on to consider what an inspection of Mr F's bank statements and the completion of an income and expenditure form might have uncovered.

Having done so I can confirm that I agree with the investigator that based on what Mr F's 2015/2016 bank statements show and what Mr F says his outgoings were between 2018 and 2020 in one or more completed income and expenditure forms (these being at least indicative of his 2016 expenditure) reasonable and proportionate checks by Moneybarn wouldn't have caused it to conclude that it shouldn't lend to Mr F.

I appreciate Mr F will be disappointed, but I'm not persuaded that Moneybarn acted unfairly in approving the finance.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 22 September 2022.

Peter Cook
Ombudsman