

The complaint

Mrs M complains that Moneybarn No. 1 Limited irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In August 2019, Mrs M acquired a used car financed by a conditional sale agreement from Moneybarn. Mrs M paid a deposit of £400 and was required to make 59 monthly repayments of around £192. The total repayable under the agreement was around £11,744.

Mrs M says that Moneybarn didn't complete adequate affordability checks. She says if it had, it would have seen the agreement wasn't affordable. Moneybarn didn't agree. It said that it verified Mrs M's income and used statistical database evidence to assess her non-discretionary expenditure. It also carried out an automated credit reference agency check assessing Mrs M's indebtedness and existing financial commitments, repayment history, including any arrears, and past defaulted accounts. It said its checks were proportionate and didn't suggest the agreement was unaffordable.

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

Mrs M didn't agree and said at the time of her application she had two county court judgments and multiple accounts in default. She said other companies had turned her down for finance. Mrs M provided further details of her income and costs and says that the agreement wasn't affordable.

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.

Moneybarn hasn't provided a copy of the credit check it completed although it has said its credit check results showed Mrs M had defaulted on a debt 26 months prior. I've considered the information provided by Moneybarn and also relied on a copy of the credit file supplied by Mrs M. I think this gives a good indication of what Moneybarn would likely have seen. At the time of the application it shows that Mrs M had three county court judgements and while one was recorded in 2015 and another 2016, the most recent was recorded just over a year before her application, in May 2019. Mrs M also had accounts that were showing signs of delinquency in the year of her application, including a utility account which I think should have raised concerns. I think this ought to have indicated that Mrs M was likely to be

struggling financially. It therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Mrs M's financial circumstances before lending.

Moneybarn included estimated income and expenses figures in its assessment. It says that it assessed information from credit reference agencies to validate Mrs M's average income and obtained information from a third-party data source to assess average expenditure. This information was then detailed in Mrs M's agreement for her to review and confirm. While I note the checks that took place, given the overall size of the borrowing, the term of the agreement, and Mrs M's previous credit history, I think it would have been proportionate for Moneybarn to have verified her income and to have asked her about her specific expenses in order to ensure the lending was affordable.

Had Mrs M's income been verified this would have shown Mrs M's average monthly income to consist of earnings and benefits and total around £2,100. This is in line with the amount Moneybarn included in its assessment.

I can't be certain what Mrs M would have told Moneybarn had it asked about her regular expenditure. Given the size of the repayments compared to Mrs M's income, 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 Mrs M's statements and the information she provided in response to our adjudicator's view as an indication of what would most likely have been disclosed.

Mrs M's regular committed monthly expenditure at the time for her rent, utilities, childcare, travel and other such living expenses was around £1,400. This amount doesn't include food and toiletries etc and noting Mrs M had children to provide for I think her estimate of around £80 a week is reasonable for this and I can see from her statements she was taking cash out as well as making payments to supermarkets and similar stores. Adding this in gives total monthly expenses of around £1,800. This would leave around £300 of disposable income after her costs and as the monthly repayments were around £192, it appears to show the agreement was affordable to Mrs M. For this reason, I'm 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 Mrs M to accept or reject my decision before 11 October 2022.

Jane Archer
Ombudsman