

The complaint

Mr D complains that Moneybarn No. 1 Limited irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In December 2019, Mr D acquired a used car by a conditional sale agreement from Moneybarn. Mr D paid a deposit of £400 and was required to make 59 monthly repayments of around £250. The total repayable under the agreement was around £15,148.

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 a full credit search, verifying Mr D's income through a credit reference agency check and using statistical data to estimate his expenses. It says that while Mr D had previously defaulted on borrowing the most recent default was 13 months prior to application. It says he had no missed payments, county court judgements or insolvency information on his credit report.

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

Mr D didn't agree.

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 D about his income. I say this because it asked about his employment and verified his income with a credit reference agency check. Based on this Mr D's monthly income was recorded as £2,022.

Moneybarn has explained that it carried out a credit check and used statistical data to calculate Mr D's expenses. Moneybarn hasn't provided a copy of its credit check but has noted that Mr D had some historic defaults. Given Mr D had experienced financial difficulties previously and noting the size and term of the agreement I think it would have been reasonable for Moneybarn to have asked Mr D about his expenditure to ensure it had a clear understanding of his specific financial circumstances.

I've considered what Moneybarn would likely have found out if it had completed reasonable and proportionate affordability checks. We've asked Mr D to provide us with evidence of his financial circumstances at the time the lending was taken out. While we have some details about his other accounts from the time Mr D hasn't provided further evidence such as bank statements or a credit file and so he hasn't given us enough information to fairly determine what proportionate checks would likely have shown Moneybarn.

As Mr D hasn't been able to demonstrate that the agreement was unaffordable, I can't reasonably conclude that Moneybarn ought to have known he would struggle to make the repayments. I'm therefore 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 Mr D to accept or reject my decision before 14 October 2022.

Jane Archer
Ombudsman