

The complaint

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

What happened

In June 2020, Mr P acquired a used car financed by a conditional sale agreement from Moneybarn. Mr P was required to make 59 monthly repayments of around £212. The total repayable under the agreement was around £12,493.

Mr P 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 check, verifying Mr P's income through his payslips and using statistical data to assess his expenses.

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

Mr P 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 P about his income. I say this because it verified his income using payslips. The payslips showed Mr P's monthly income and I think the amount of £1,522 that Moneybarn included in its assessment was reasonable.

Moneybarn carried out a credit check. It hasn't provided a copy of the credit check it completed. I've therefore relied on a copy of the credit file supplied by Mr P. I think this gives a good indication of what Moneybarn would likely have seen. This shows that Mr P had experienced previous financial difficulties with historic defaults recorded. At the time of the application there were no county court judgements or recent defaults however one of his utility accounts was in arrears which I think should have raised concerns that Mr P may be struggling financially. It therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Mr P's financial circumstances before lending.

Moneybarn has explained it calculated Mr P's expenditure using statistical data. But as Mr P's credit file showed that he may be struggling financially, I think it would have been reasonable and proportionate to have understood Mr P's specific financial circumstances, rather than relying on an estimate.

I can't be certain what Mr P would have told Moneybarn had it 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 P's statements as an indication of what would most likely have been disclosed.

I've reviewed three months of bank statements prior to the application. These show that Mr P had limited regular committed monthly expenditure at the time. Considering his costs for items such as food, fuel, other living expenses and credit commitments, I do not find I can say the numbers used in Moneybarn's assessment were unreasonable. Taking these figures into account, it appears to show the agreement was affordable to Mr P. 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 Mr P to accept or reject my decision before 18 October 2022.

Jane Archer
Ombudsman