

The complaint

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

What happened

In October 2018, Mr B acquired used car financed by a conditional sale agreement from Moneybarn. Mr B was required to make 59 monthly repayments of around £215. The total repayable under the agreement was around £12,665.

Mr B 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 B's income through his payslips and using statistical data to assess his expenses.

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

Mr B didn't agree and provided further details of his expenses from the time which he said hadn't been included in the assessment.

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, Moneybarn completed a credit check and verified Mr B's income with a credit reference agency. It also used statistical data to estimate Mr B's non-discretionary expenditure (including housing, council tax, utilities and vehicle costs).

Moneybarn hasn't provided a copy of the credit check it completed although it has noted that Mr B didn't have any county court judgements or insolvencies recorded and his most recent default was 47 months prior to the application. As I haven't seen the credit report received by Moneybarn I've relied on a copy of the credit file supplied by Mr B. I've considered the information reported by the credit agency Moneybarn used and I think this gives a good indication of what Moneybarn would likely have seen.

At the time of the application Mr B's credit report shows no county court judgement or insolvency information. It shows he had current accounts which were being managed well and two credit card accounts. While there is information that Mr B had other credit

commitments these weren't reported to the credit reference agency Moneybarn used and so I cannot say it would have been reasonably aware of these. Mr B was generally managing his credit card accounts well but he did miss a payment on both cards six months prior to his application to Moneybarn. While this alone doesn't necessarily raise serious concerns, given the size and duration of the agreement I think it would have been reasonable for Moneybarn to have carried out further checks to have got a more thorough understanding of Mr B's financial circumstances before lending.

Moneybarn verified Mr B's income with a credit reference agency. This recorded a monthly income of £1,642. Mr B says that his income from the time was around £1,500 including overtime but without overtime it was around £1,300. While I note Mr B's comments, I find the check carried out by Moneybarn on his income was reasonable and I do not find the amount recorded would have raised concerns that meant further checks were required. That said, had further information been provided this would have shown Mr B received £1,681 in September 2018 which supports the number used, although I note his average income for the three months leading up to the agreement was slightly lower at around £1,580.

Mr B initially said his expenses were around £1,300 a month but later said they were around £1,495. Moneybarn relied on statistical data to assess Mr B's non-discretionary expenditure but in this case given the size and duration of the agreement I think it would have been proportionate for Moneybarn to have asked Mr B 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 B'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. I have also considered the information that Mr B provided in response to our adjudicator's view and have checked that the amounts have been included. Taking the information provided into account shows that Mr B's regular committed monthly expenditure at the time was around £1,100. In calculating this figure, I've included payments towards rent/board, utilities, payday loans, car tax, car insurance, mobile phone, other credit commitments, food and fuel. Taking these figures into consideration, even if Moneybarn had completed further checks, it would still have likely concluded the agreement was affordable to Mr B. For this reason, I don't think 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 B to accept or reject my decision before 18 October 2022.

Jane Archer
Ombudsman