

The complaint

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

What happened

In February 2019, Mrs H acquired a used car financed by a conditional sale agreement from Moneybarn. Mrs H paid a deposit of £196 and was required to make 47 monthly repayments of around £276. The total repayable under the agreement was around £13,177.

Mrs H 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 carried out a thorough assessment which included a credit check and verifying Mrs H's income through the credit reference agencies and her payslips. It estimated Mrs H's expenses using third party statistical data. It said its checks were proportionate and based on these the agreement was affordable.

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

Mrs H didn't agree and said her and her partner had £29,000 of debt at the time of the finance application and had to take out a second mortgage at a high interest rate to clear the debts. She said our adjudicator's view didn't take into account the cash payments she was making towards her debts or the costs of having five children. She said she had other complaints about irresponsible lending upheld.

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.

I note Mrs H's comments about having other complaints upheld but we consider each case on its individual merits and my decision will be based on the unique circumstances of this complaint.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mrs H about her income. I say this because it verified her income through the credit reference agencies and also received a recent payslip.

Moneybarn hasn't provided a copy of the credit check it completed. I've therefore relied on a copy of the credit file supplied by Mrs H. I think this gives a good indication of what Moneybarn would likely have seen. At the time of the application it shows that Mrs H didn't have any county court judgements or recent defaults (Moneybarn's credit research identified a historic default) however it did show that Mrs H was in arrears on some of her accounts. I think this ought to have indicated that Mrs H had experienced financial issues previously and was likely to be struggling financially. It therefore would have been proportionate for Moneybarn to have verified Mrs H's expenditure to ensure it had a thorough understanding of her financial circumstances before lending.

One of the ways that Moneybarn could have verified Mrs H's expenditure was by reviewing bank statements. While Moneybarn wasn't required to request Mrs H's bank statements, in the absence of anything else, I've reviewed three months of statements which I think give a good indication of what Moneybarn would likely have found out had it completed proportionate checks.

The statements show that Mrs H's regular committed monthly expenditure at the time was around £800. In calculating this figure, I've included costs such as food, fuel, insurance and other credit commitments. Mrs H's payslip showed her salary in January to be £1,642 and having looked at her bank statements these show an average salary over the three months leading up to the agreement of around £1,545. Additional to this, Mrs H was receiving child benefit totalling around £267 a month. As the repayments under the agreement were for around £276, I do not find that I can say that had further checks taken place then the agreement would have been found to be unaffordable. 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 H to accept or reject my decision before 1 November 2022.

Jane Archer
Ombudsman