

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 December 2020, Mr B acquired a used car financed by a conditional sale agreement from Moneybarn. Mr B paid a £13 deposit and was required to make 59 monthly repayments of around £403. The total repayable under the agreement was around £23,796.

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 search which showed Mr B's most recent default was 10 months prior to the application. It said it verified Mr B's income through the credit reference agency and used statistical data to assess his non-discretionary spending. It said based on its checks Mr B had monthly disposable income of just over £1,000.

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 said he had experienced payment issues over an extended period with defaults and county court judgements being applied to his accounts. He said the assessment of his income was incorrect as his bank statements showed turnover from his self-employment not the income that was available to him.

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 lending to Mr B, Moneybarn has explained it carried out a credit check. It noted that Mr B had defaulted debt on his credit report but the most recent of the defaults was ten months prior to application. 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 Mr B. I think this gives a good indication of what Moneybarn would likely have seen. At the time of the application it shows that Mr B had a judgement in place (from March 2018) and had previously defaulted on accounts. His most recent default was recorded in February 2020. Mr B was over his limit on this credit card and was in arrears. I think this ought to have indicated that Mr B had experienced previous financial difficulties and that these may be ongoing. It therefore would

have been proportionate for Moneybarn to have got a more thorough understanding of Mr B's financial circumstances before lending.

Given the overall size of the borrowing, the monthly repayments and the term of the agreement, I think it would have been proportionate for Moneybarn to have verified Mr B's income and expenditure before lending. I note that it verified Mr B's income with the credit reference agency and gathered statistical data for his expenses, but I think in this case it would have been proportionate to have gathered specific information about Mr B's circumstances to ensure the lending was affordable.

I've reviewed three months of bank statements prior to the application. These show that Mr B was receiving income from different sources which is consistent with his self-employment. While I note his comments about the income in his statements being his business turnover and not available for his personal use, I have assessed the information in his statements to include all income and outgoings to get an understanding of his financial position. Having looked through his statements for the three months leading up to the agreement, his average monthly income was around £2,700.

Mr B's regular committed monthly expenditure at the time was around £900. In calculating this figure, I've included payments for car tax, insurance, communications providers, food and fuel as well as transfers to third parties and payments for what appear likely to be work related expenses. Additional to this I note that Mr B was making regular cash withdrawals. While these may have been for work related costs, I cannot say for certain the full amount was for these purposes, but I think it reasonable that a proportion of these were taken into account. Taking these figures into account, I think had proportionate checks taken place, Moneybarn would still more likely than not have found the agreement to have been affordable. 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 B to accept or reject my decision before 7 November 2022.

Jane Archer
Ombudsman