

The complaint

Mr H is unhappy with a conditional sale agreement he took with Moneybarn No. 1 Limited. He says he couldn't afford the borrowing when it was given as he had too many other commitments.

What happened

In December 2018 Mr H acquired a used car funded by a conditional sale agreement with Moneybarn. The car cost £13,495 and Mr H agreed to make repayments of £548.60 per month over 38 months.

Mr H says he got into difficulty with the lending and had to borrow money from other sources to make the repayments. He says Moneybarn shouldn't have lent to him.

Mr H complained to Moneybarn. It issued its final response in March 2022. It said, in summary, that it did various checks on Mr H's finances before it lent to him. It said while it saw defaults on Mr H's credit file, it was satisfied these amounts were being repaid. It said it could see a County Court Judgement ('CCJ') against Mr H, but this was from nearly three years prior to the application. And it said it was happy Mr H had enough disposable income to afford the lending.

Mr H was unhappy with this and brought the complaint to our service. Our investigator issued an opinion. She said, in summary, that she didn't think Moneybarn had done sufficient checks at the time to ensure the borrowing was affordable for Mr H. But, she said having reviewed further information, that if Moneybarn *had* done further checks, these would've shown Mr H could afford the repayments.

Mr H said he didn't agree with the opinion. So, the case has been passed to me to decide.

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.

Having done so, I don't think this complaint should be upheld. I'll explain why.

Mr H complains about a conditional sale agreement. Entering into consumer credit contracts such as this as a lender is a regulated activity, so I'm satisfied I can consider Mr H's complaint about Moneybarn.

We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr H's complaint.

Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was affordable for Mr H before providing it.

So, what I need to consider here is whether Moneybarn did reasonable checks at the time to make sure the lending was affordable. If I think it didn't, I need to consider what proportionate checks would've shown and what should've happened. And, I need to think about whether Moneybarn acted unfairly in any other way, or if there was any other reason it would've been irresponsible to lend to Mr H.

Our website sets out what we typically think about when deciding if a lender's checks were proportionate. Generally, we think a lender might have needed to do more if information from the time suggested further information was needed about a prospective borrower's ability to repay. For example, if a borrower's income was low, the amount lent was high or the consumer had a significantly impaired credit history. I've carefully thought about what this means for Mr H's case.

Moneybarn has explained before it lent to Mr H it ran a full credit search. It said it verified his income and assessed that this was in line with the occupation he told them about. It said it used information from another source to estimate Mr H's expenditure. And it said it looked at Mr H's other borrowing at the time.

Following these checks, Moneybarn said it was satisfied Mr H had enough disposable income to afford the borrowing.

Moneybarn has commented that Mr H had a CCJ and had defaulted on some previous borrowing. Mr H hasn't disputed this. Moneybarn said the CCJ was from 33 months prior. It said the most recent default was from five months prior and was being paid towards. I don't think, on balance, that given it was from some time ago, this adverse information from Mr H's credit file meant, on its own, that it was irresponsible for Moneybarn to lend to him.

But I do think, given the amount Mr H was borrowing and the time he took the borrowing over, that this information should have prompted Moneybarn to look into Mr H's outgoings in more detail. I don't think estimating his expenditure using a third party was enough to reasonably say the lending was affordable for Mr H.

In summary, I'm satisfied Moneybarn should've done further checks at the time. So, what I now need to consider is what these checks would've shown, had Moneybarn looked into things in more detail.

Mr H has provided bank statements from around the time the lending was approved. These show his income was higher than what he told Moneybarn about. Taking into account all of Mr H's committed spending, I'm satisfied these statements show a disposable income that meant he would've been left with funds to spare once the new repayments were taken into account.

I've noted Mr H's bank statements from the time do show some payday loans. But, the statements show payments being made towards these, not Mr H borrowing further funds. So it appears these were being repaid. The statements do also show two direct debits that are returned. But, these were both then paid within a few days.

Considering everything here, I don't think Moneybarn did reasonable and proportionate checks at the time to ensure the lending was affordable for Mr H. But, I'm satisfied that had it done further checks, these would've shown the lending was neither irresponsible to give to Mr H, nor unaffordable for him.

I've carefully considered everything Mr H has said in relation to this complaint. But I don't think Moneybarn needs to take any action here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 December 2022.

John Bower
Ombudsman