

The complaint

Ms H complains that Moneybarn No.1 Limited ("Moneybarn"), irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In August 2019, Ms H acquired a used car financed by a conditional sale agreement from Moneybarn. Ms H paid a deposit of £400. Ms H was then required to make 59 monthly repayments of £172.94. The total repayable under the agreement was £10,603.46.

Ms 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 checking her credit file and obtaining proof of income. It said that her existing credit in general was being properly maintained.

Ms H started missing her monthly repayments shortly after taking out the agreement. Ms H contacted Moneybarn in August 2019 when her financial situation had deteriorated. She later entered into a payment plan but in October 2020 she voluntarily terminated the agreement and returned the car.

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

As Ms H didn't agree. She said Moneybarn was wrong to let her take out the agreement. The complaint has therefore 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.

Moneybarn used credit reference agency information to help assess Ms H's application. From the available information, Moneybarn was aware that Ms H had county court judgment around 41 months before entering into the agreement. It also said it was aware of a previous default on her debt file, around 16 months earlier. A credit report provided to us by Ms H showed a more recent default, three months prior to the agreement. I can't be sure if information about the more recent default was available to Moneybarn at the time. But given that she was taking on a significant financial commitment for a period of five years, I think it would have been proportionate for Moneybarn to have gathered additional details about Ms H's financial circumstances at the time before lending to her. By doing so it could have gained a fuller picture of her financial situation at the time, including her daily living costs.

But I also need to consider what Moneybarn would likely have found out if it had completed reasonable and proportionate affordability checks at the time. To help us understand this better, we asked Ms H to provide us with further evidence about her financial circumstances at the time the lending was taken out. With Ms H's agreement, we obtained some bank statement information. These statements were largely redacted for reasons that Ms H has explained to us. But from what we've been able to see, Ms H appeared to have only limited outgoings, being mainly for food and petrol. Looking at the three months before the agreement, these totalled an average of £280 per month. This is based on those costs being shared with her partner at the time. Even allowing for contingencies and the possibility that not all her regular and committed expenditure would have been shared with her partner, from the information available it seems that Ms H would have had sufficient disposable income to meet the monthly payments. I appreciate Ms H's personal situation may have changed at around the time she entered the agreement. But she didn't tell Moneybarn, and nor would I have expected it be something it would have necessarily seen from the checks it carried out.

Ms H has also told us she became unemployed in early July 2019. Whilst this clearly would have an impact on her financial situation, again it's not something that Moneybarn could be expected to know or find out a month later unless Ms H informed them of it.

As Ms H hasn't been able to demonstrate that the agreement was unaffordable, I can't reasonably conclude that Moneybarn ought to have known she would struggle to make the repayments. I'm therefore not persuaded that Moneybarn acted unfairly in approving the finance.

I note that Ms H still owes Moneybarn a significant outstanding balance. Given the financial difficulty Ms H continues to experience, Moneybarn ought to exercise forbearance with her and continue to take steps to explore all available options to help her to reduce the debt.

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 Ms H to accept or reject my decision before 23 November 2022.

Michael Goldberg
Ombudsman