

The complaint

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

What happened

In September 2016, Mr S acquired a used car financed by a conditional sale agreement from Moneybarn. Mr S was required to make 59 monthly repayments of around £153. The total repayable under the agreement was around £9,016.

Mr S 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 assessing Mr S' payslips for the two months prior to the agreement and carrying out a credit check. It said Mr S had no county court judgments recorded and his most recent default was 60 months prior to his application. It noted the repayments due under the agreement were around 9.4% of Mr S' average monthly income.

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

Mr S didn't agree and said that Moneybarn hadn't carried out a full financial check and that he had a county court judgement in place at the time (which left his credit file in 2021). He said Moneybarn has continually ignored his financial status, mental health and employment concerns and said the car was undersold and unnecessary charges applied.

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, I think Moneybarn gathered a reasonable amount of evidence and information from Mr S about his ability to repay. I say this because it completed a credit check which it has said showed no county court judgments and the most recent default as being 60 months before the application and received two month's payslips. Based on Mr S' payslips the repayments under the agreement were less than 10% of his monthly income and so I consider these checks were proportionate. However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed.

I've reviewed the information and evidence Moneybarn gathered. The payslips showed Mr S to have an average monthly income of just over £1,600. As the repayments due under the agreement were around £153, I don't think this raised concerns that meant further checks were required.

Moneybarn hasn't provided a copy of the credit check it completed but has said that there were no county court judgements, and the most recent default was 60 months prior to the application. Mr S has said this isn't correct and that there was a county court judgment recorded on his credit file at the time which was removed in early 2021. Mr S has been asked to provide evidence of the county court judgement so this can be considered but unfortunately this hasn't been provided. If there was evidence of a county court judgment within the months leading up to the agreement this doesn't necessarily mean that the agreement shouldn't have been provided but it would mean that I would have expected further checks to have taken place.

As I don't have evidence of the county court judgment and based on the information received I do not find that further checks were required, I do not find I can say it was unreasonable that Moneybarn relied on the information it received through its checks. As this didn't raise concerns about the affordability of the agreement, I do not find I have sufficient evidence to say that Moneybarn was irresponsible in its lending to Mr S.

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 S to accept or reject my decision before 24 February 2023.

Jane Archer
Ombudsman