

The complaint

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

What happened

In July 2017, Mr H acquired a used car financed by a conditional sale agreement from Moneybarn. Mr H was required to make 59 monthly repayments of around £325. The total repayable under the agreement was around £19,217.

Mr H 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 and verifying Mr H's income by looking at two months' worth of his business and personal bank statements. It says Mr H's credit search showed he had previously defaulted on borrowing, but he was making payments towards the amounts owing and that he didn't have any county court judgments or insolvency information recorded. It calculated his monthly credit commitments as £120.

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

Mr H didn't agree and said he was initially refused credit then offered a large amount based on the income from a start-up business which had debts on no profits after wages.

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 H about his income. I say this because it received copies of both his business and joint account bank statements. Moneybarn also carried out a credit check. It said that its credit check showed that Mr H had defaulted accounts that he was making repayments towards and no county court judgments or insolvency records. It hasn't however provided a copy of the credit check it completed so I've relied on a copy of the credit file supplied by Mr H. I think this gives a good indication of what Moneybarn would likely have seen. At the time of the application it shows that Mr H had three accounts that had defaulted within the previous seven months. I think this ought to have indicated that Mr H was likely to be struggling financially. It therefore would have been proportionate for Moneybarn to have

got a more thorough understanding of Mr H's financial circumstances before lending. As it had copies of Mr H's bank statements I think it should have used these to verify his expenditure as well as his income.

Moneybarn have provided a copy of Mr H's bank statements which it used to verify his income. The statements provided include both Mr H's joint account as well as his business account. I note Mr H's comments about the business statements and have considered the payments being made to his joint account. These show that money was received into the joint account from benefits and from Mr H's business. The total monthly income into the joint account was around £3,770. Considering Mr H's income from his business alone for the two months prior to the agreement he received a monthly average of around £1,480.

The joint statements show regular committed monthly expenditure at the time was around £2,525. In calculating this figure, I've included payments for credit commitments (including the agreement payments of £325), housing costs, utilities, food, fuel, and other ongoing costs. As the joint income was a round £3,700 considering the joint income and expenses it appears to show the agreement was affordable. Taking Mr H's income of £1,480 and then considering half the costs this still doesn't suggest the agreement was 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 Mr H to accept or reject my decision before 24 November 2022.

Jane Archer
Ombudsman