

The complaint

Mrs C complains that Moneybarn No. 1 Limited irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In April 2016, Mrs C acquired a used car financed by a conditional sale agreement from Moneybarn. Mrs C was required to make 59 monthly repayments of around £283. The total repayable under the agreement was around £16,725.

Mrs C 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 carrying out a credit check which showed Mrs C had defaulted on some previous borrowing with the most recent default being 33 months before her application and she also had a county court judgement recorded. It also received copies of Mrs C's bank statements for the months leading up to the agreement which were used to verify her income. Moneybarn said that its checks were proportionate and that Mrs C met its lending criteria.

Mrs C also said that Moneybarn didn't provide her with the support it should have when she contacted it about her financial situation and explained she was a vulnerable consumer.

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

Mrs C didn't agree and said that she had bank statements showing her expenditure was close to, or higher, than her income at the time. She said the grant income she was receiving was temporary and so shouldn't have been included in her income. She said she was in arrears with priority bills at the time and that she was treated unfairly when she asked for assistance.

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 providing finance, Moneybarn carried out a credit check and received copies of Mrs C's bank statements. Moneybarn hasn't provided a copy of the credit check it completed but has explained that the results contained defaults and a county court judgement. It noted that the most recent default was from 33 months prior to the application. Mrs C has provided

extracts of information regarding her credit history. Based on what I have seen, I do not find I can dispute Moneybarn's comment about the defaults being historic. That said, Mrs C's credit report showed signs that she had experienced previous financial difficulties and based on some evidence regarding missed payments around the time of the agreement it suggested that she may have still been struggling financially. This doesn't necessarily mean that the finance shouldn't have been provided but I think that it meant Moneybarn was required to get a thorough understanding of Mrs C's financial circumstances before lending.

Moneybarn received copies of Mrs C's bank statements. This will have shown Mrs C's income and expenses for the months leading up to the agreement. Given this I think Moneybarn did gather sufficient information before lending. However, just because it gathered a reasonable amount of information it doesn't necessarily mean the lending was responsible, I have therefore considered what the information showed.

In this case, given Mrs C's credit history I think that the bank statements should have been used to verify her income and expenses. I have looked through the statements and these show Mrs C's income consisted of her wages and benefits. She has explained that the grant funding she was receiving of around £800 was a temporary situation. Based on the bank statements, Mrs C was received around £1,247 in wages and then around a further £1,130 in benefits. This gave a monthly income excluding the grant funding of around £2,377. If the grant funding was also included her monthly income would be over £3,000.

The bank statements show that Mrs C's regular committed monthly expenditure at the time was around £1,900. In calculating this figure, I've included Mrs C's mortgage, bills, credit commitments, food and petrol. I note a significant amount of Mrs C's expenditure was for food and other general living costs which she has explained given the size of her family and her responsibilities for household payments. Taking these figures into account, it appears to show the agreement was affordable to Mrs C, even without including the grant funding. For this reason, I'm not persuaded that Moneybarn acted unfairly in approving the finance.

Mrs C maintained her repayments for the first 52 months but then experienced financial difficulties. She says that Moneybarn didn't provide her with the support it should have at this time. I have looked through Moneybarn's system notes and I can see that Mrs C made contact with Moneybarn in the latter part of 2020 to explain that her income had reduced due to Covid-19. She requested a payment holiday and Moneybarn asked for further evidence of the impact Covid-19 was having. Mrs C sent evidence, and this was reviewed but Moneybarn then contacted Mrs C requesting a call as it needed more information. This didn't happen but Mrs C provided further income and expenditure information showing a monthly deficit. Around this time Mrs C also explained that she had suffered a bereavement and was experiencing mental health issues. There were then issues regarding the MOT on the car.

I can understand why Mrs C feels she wasn't provided with the support she should have been when her income was affected by Covid-19. But having looked through the system notes I can see that Moneybarn was trying to work with her. It wasn't unreasonable that it requested further information about Mrs C's circumstances and as it didn't receive the information it required it contacted Mrs C to discuss this. Unfortunately, there were further issues and Moneybarn explained that back dating Mrs C's payment holiday would put her in a worse situation. On balance, I do not find I can say that Moneybarn did anything wrong in regard to the information it requested and so I do not uphold this complaint.

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 Mrs C to accept or

reject my decision before 28 December 2022.

Jane Archer
Ombudsman