

The complaint

Mrs S, who is represented by a third party, complains that Moneybarn No.1 Limited ("Moneybarn") irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In April 2017, Mrs S acquired a used car financed by a conditional sale agreement from Moneybarn. Having paid a cash deposit of £588 Mrs S was then required to make 47 monthly repayments of £311.89. The total repayable under the agreement was £15,246.83.

Mrs S got into difficulty a few months after entering into the agreement, leading to her entering into several payment arrangements with Moneybarn. A default notice was issued in September 2018.

In August 2018 the car was involved in an accident and was later written off. The insurance paid as a result of that cleared the agreement save for a small outstanding balance. That sum was written off by Moneybarn in September 2018.

Mrs S 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 a search of Mrs S's credit file and checking her level of paid income. Moneybarn also said it was aware of a previous default around 22 months prior to Mrs S taking out the agreement which had been settled.

Our adjudicator looked into the complaint and didn't recommend the complaint be upheld. She thought Moneybarn hadn't acted unfairly or unreasonably by approving the finance agreement.

Mrs S disagreed and made some further points about her expenditure and the financial difficulties she was experiencing after taking 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.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mrs S about her ability to repay. I say this because it completed a credit check to understand how Mrs S had managed her existing and previous finance

arrangements and also verified Mrs S's income using information from three months of bank statements which set out her regular commitments. I've seen that her working income was recorded as being split between two accounts and this is supported by the copy statements I've seen. Moneybarn says its own credit search showed that Mrs S had defaulted on an account around 22 months earlier and had since cleared the outstanding balance. I've also seen that she opened a debt management account two months before the agreement. Aside from those, which I wouldn't necessarily have expected to be enough to make the agreement unaffordable, I haven't seen any significant evidence of problems with other credit or any county court judgments against Mrs S.

However, just because I think Moneybarn 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. Whilst, as I've said above, Mrs S had experienced some issues with credit prior to taking the agreement, she now appeared to be in better control of her financial and debt commitments.

I've reviewed the information and evidence Moneybarn gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mrs S. I say this because, taking into account her average monthly income before she took out the agreement – based on income she received for work rather than from other sources – I can see she was receiving an average monthly net income of £1,300. Having taken into account her typical level of monthly withdrawals, household bills and daily expenses, and not seeing any other evidence that she was getting into further financial difficulty, I don't think Moneybarn acted unfairly when approving the finance application. I say this given that Mrs S's average monthly daily expenses and committed expenditure worked out at around £650. So it looks likely that typically she would have had around £650 in disposable income each month. I've also noted that Moneybarn didn't take into account other income Mrs S was receiving such as state benefits.

Mrs S has said that as part of her monthly outgoings which we didn't see on her bank statements, she was also paying rent. I appreciate this may be difficult to prove, but having noted her overall level of wages and other income at the time, I think the agreement was still likely to have been affordable.

I therefore agree with our adjudicator that it's likely Mrs S would have been left with sufficient disposable income to cover the monthly repayments due under the agreement.

Finally, I've seen that Mrs S has told us about some changes in her personal circumstances she experienced after taking out the agreement. These include her employment going from full time to part time and later on leading to redundancy. She has also told us about some personal difficulties that affected her health as well as escalating financial difficulties. Whilst I am very sorry to learn of this, unfortunately it doesn't affect my decision. My role is to look at the question of whether or not Moneybarn acted fairly at the time it agreed to provide Mrs S with the finance, taking into account her financial situation at the time. From what I've seen I think it did and I therefore won't be requiring Moneybarn to do anything more.

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 Mrs S to accept or reject my decision before 17 March 2023.

Michael Goldberg
Ombudsman