

The complaint

Mr S complains that Moneybarn No. 1 Limited trading as Moneybarn irresponsibly gave him a conditional sale agreement he couldn't afford.

What happened

In August 2017, Mr S acquired a used car using a conditional sale agreement from Moneybarn. The cash price of the car was £6,790 and Mr S paid a deposit of £400 with the balance being financed by the credit agreement. Mr S was required to make 59 monthly repayments of £257.65.

Mr S complained to Moneybarn in October 2021 to say the agreement had been unaffordable and that adequate affordability checks weren't completed before giving him the finance. He also said that when he was struggling to make repayments Moneybarn didn't offer him appropriate assistance with his financial difficulties.

Moneybarn didn't agree it had acted unfairly. It said that it had carried out appropriate affordability checks which showed that Mr S could afford the monthly repayments. It said that when Mr S reported difficulty repaying it offered a number of different measures to assist him.

Our investigator didn't recommend the complaint be upheld. She didn't think Moneybarn had completed reasonable and proportionate affordability checks before granting the finance to Mr S. However, she thought that if Moneybarn had completed more thorough checks it would likely have concluded the lending was affordable to Mr S. She didn't think Moneybarn had acted unfairly when Mr S asked for assistance with his payment difficulties.

Mr S didn't agree, so the complaint 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.

Before granting credit, Moneybarn were required to take steps to ensure the borrowing was affordable and sustainable for Mr S. There isn't a set list of checks that had to be completed, but the relevant rules required Moneybarn to complete proportionate affordability checks. What is considered proportionate will vary in each case as there isn't a one-size-fits-all approach to assessing affordability. In deciding what is proportionate, Moneybarn needed to take into consideration things such as (but not limited to): the total repayable, the size of the monthly repayments, the total charge for credit and Mr S' individual circumstances.

The total repayable was around £15,500 over a five year term. This was a relatively significant financial commitment and therefore my starting point is that any proportionate affordability check ought to have been relatively thorough.

Moneybarn says it completed a credit check to understand Mr S' current financial

commitments and also reviewed copies of his recent payslips to get assurances about his employment and level of income. Moneybarn has provided us with copies of those payslips but has been unable to show us the data it gathered from the credit check, although it did acknowledge it saw Mr S had defaulted on a credit commitment four months prior to this application.

Given the size of the borrowing and the fact that Moneybarn could see Mr S had defaulted on another credit facility recently, I don't think its affordability checks were reasonable or proportionate. I think it should have completed a more thorough assessment of Mr S' circumstances before agreeing to lend to him. I think a proportionate affordability assessment ought to have included a more detailed verification of Mr S' committed expenditure.

It's not clear exactly what information Moneybarn would have reviewed if it had tried to verify Mr S' expenditure. In the absence of any check Moneybarn completed, I've relied on copies of Mr S' bank statements from the months leading up to the lending decision. I'm not suggesting Moneybarn were required to check bank statements, but I think these give a good indication of what information Moneybarn would likely have discovered if it had completed more thorough checks.

The statements show that Mr S' regular committed expenditure for things such as rent, bills and credit commitments were around £860 per month. This figure doesn't include food, petrol or other household expenditure. His income appeared to be around £1,400 according to the payslips he provided to Moneybarn and his bank statements support this too.

After taking into account what Mr S appeared to be regularly spending on other living costs it seems he still had sufficient disposable income to meet the monthly payment towards the Moneybarn agreement and have funds left over for any unforeseen emergency expenses or modest increases in outgoings. I therefore think that proportionate affordability checks would mostly likely have shown the agreement was affordable to Mr S. This means I don't think Moneybarn made an unfair lending decision when it gave Mr S the conditional sale agreement.

Mr S also says that Moneybarn didn't treat him fairly when he was struggling to make some of the repayments. From what I've seen Mr S periodically got in touch with Moneybarn to say he'd be unable to make a monthly payment. Each time this happened I can see that Moneybarn offered him various forbearance measures to assist him. These included offering payment plans, amending the date of payments and it waived charges that were applied for late payment. I haven't seen anything to suggest Moneybarn acted unfairly when Mr S asked for assistance with his payments.

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 17 March 2023.

Tero Hiltunen
Ombudsman