

The complaint

Mr C, who is represented by a third party, complains that Moneybarn No.1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In September 2018, Mr C acquired a used car financed by a conditional sale agreement from Moneybarn. Mr C made an advance payment of £89 and was required to make 60 monthly repayments of £282.90. The total repayable under the agreement was £16,780.10.

Mr C started getting into difficulty with meeting his monthly repayments under the agreement from around March 2019. He voluntarily terminated the agreement in May 2020. He is now paying the balance still owed by way of a payment plan.

Mr C 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 requiring proof of income and running credit checks.

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

Mr C didn't agree and said that Moneybarn ought to have carried out better checks before granting him the finance.

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.

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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.

Whilst I've seen that Moneybarn obtained proof of Mr C's income by way of payslip information, it didn't ask him about his expenditure. Although it did complete a credit check in order to find out more about his level of committed expenditure for other credit as well as his payment history for such credit, this won't have shown what his regular living expenses were. Without knowing what Mr C's regular committed expenditure was Moneybarn wouldn't

have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn't complete proportionate checks.

Moneybarn told us that the credit check it completed showed that Mr C had missed one payment for other existing credit. There were no adverse records on his file such as defaulted accounts or county court judgments. But I have to keep in mind that Mr C was taking on a significant financial commitment over a five year period. So again, I think it therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Mr C's financial circumstances before lending.

I can't be certain what Mr C would have told Moneybarn had it asked about his regular expenditure. I don't think Moneybarn needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in the bank statements Mr C has sent us as an indication of what would most likely have been disclosed.

I've reviewed bank statement covering a period of three months leading up to Mr C applying for and being granted the finance. These show that Mr C was earning an average monthly net income of around £1,200. I agree that the statements appear to show only limited details about the extent of Mr C's monthly day to day and committed expenditure. So there isn't enough information for me to conclude that Mr C's spending may have been at a level such that he wouldn't have had enough disposable income to meet the monthly repayment costs of the agreement. I did notice that Mr C was making regular use of his overdraft each month, before going into credit once he was paid. But given that the level of overdraft use wasn't escalating over time, I can't say that Mr C's financial situation was getting significantly worse to the extent that Moneybarn granting him the finance would have been unfair.

It follows that, taking all the information and evidence I've seen into account, I don't consider there is enough to show that the agreement may have been unaffordable for Mr C.

For this reason, I'm therefore not persuaded that Moneybarn acted unfairly in approving the finance.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 April 2023.

Michael Goldberg
Ombudsman