The complaint

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

What happened

In 2018, Mr D acquired a used car using a conditional sale agreement from Moneybarn. The cash price of the car was £16,599. Mr D paid a deposit of £299, with the remainder to be financed by the conditional sale agreement. Mr D was required to pay 59 monthly repayments of £508.73. Mr D settled the agreement early in September 2021.

In May 2022, Mr D complained to Moneybarn to say it shouldn't have given him the agreement. He said that had Moneybarn completed appropriate checks, it would have seen he couldn't afford the agreement. Moneybarn didn't think it had acted unfairly. It said it had verified Mr D's income by requesting copies of his payslips, it had completed a credit check and estimated his essential expenditure. It said these checks demonstrated the agreement was likely to be affordable.

Our investigator didn't recommend the complaint be upheld. She thought that Moneybarn ought to have carried out more thorough affordability checks. However, she didn't think that more thorough checks would likely have led to a different lending decision.

Mr D 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 complete checks to ensure the borrowing would be affordable and sustainable for Mr D. There isn't a set list of checks that Moneybarn had to complete, but any checks it did needed to be proportionate in the circumstances. What is considered proportionate will vary in each case and will depend on a number of factors such as (but not limited to): the total amount borrowed, the total repayable, the size of the regular repayments, the cost of the credit, the term and the borrower's circumstances.

Mr D was expected to repay over £500 per month over five years. This equated to around a quarter of Mr D's monthly income. The income figure Moneybarn relied on appeared to include some bonuses and overtime. Moneybarn also completed a credit check which it says showed that Mr D had experienced some financial difficulty in the past, including defaulting on a debt 15 months prior to the application. It said his credit commitments had been managed well since that time.

Moneybarn hasn't been able to provide us with a copy of the credit check it did. However, having reviewed a copy of a credit report Mr D provided to us, I haven't seen anything to demonstrate that apart from that one default (which was for a small amount to a telecommunications provider) that Moneybarn ought to have been concerned about Mr D's ability to repay his existing credit commitments.

However, based on what Moneybarn knew about Mr D's circumstances and the fact this was going to be a relatively significant financial commitment for Mr D over a five year term, I don't think Moneybarn's affordability checks went far enough and weren't proportionate in this case. While there were no signs of difficulty with his existing commitments, this new agreement had the potential to cause financial difficulty given its size in relation to Mr D's income.

While Moneybarn says it estimated Mr D's likely committed expenditure, I think it would have been proportionate for Moneybarn to have found out from Mr D what his non-discretionary expenditure actually was. This would have helped build a better picture of his financial circumstances and whether the borrowing was likely to be affordable. I can't be certain what Mr D would have told Moneybarn had they asked, but I've relied on copies of his bank statements as an indication of what would most likely have been disclosed.

The bank statements show that Mr D had sufficient disposable income to be able to afford the monthly repayments towards the Moneybarn agreement. Mr D also provided his own calculations of his committed expenditure from the time which showed that after taking into account the payment to Moneybarn and with no overtime or bonus payments, he would have around £260 in disposable income each month. I think this demonstrates that Mr D could likely afford the repayments without causing financial difficulty and Moneybarn didn't therefore make an unfair lending decision.

Lastly, Mr D says he struggled to make the repayments because he was gambling heavily. I'm sorry to hear Mr D had been struggling and I've seen gambling transactions on his bank statements. However, I'm not persuaded that Moneybarn did know, or could reasonably have known about this prior to lending to him. For that reason, I don't think Moneybarn made an unfair lending decision.

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 D to accept or reject my decision before 7 April 2023.

Tero Hiltunen
Ombudsman