

The complaint

Mr R complains that Moneybarn No. 1 Limited irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In December 2016, Mr R acquired a used car financed by a conditional sale agreement from Moneybarn. Mr R was required to make 47 monthly repayments of around £169. The total repayable under the agreement was around £7,948.

Mr R 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 a full credit search and that it verified Mr R's income from his payslips. It said its checks showed that Mr R had existing borrowing of just under £3,000 and there were no recent missed payments. It did show that Mr R had defaulted on previous borrowing with the most recent default being three months prior to his application. It said there were no county court judgements in place and that its calculation showed the repayments were affordable.

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

Mr R didn't agree and said that he was making frequent cash withdrawals to fund his gambling and that his partner had to take out high-cost loans to clear the arrears that had arisen when he missed payments. He said that he had multiple defaults before the lending was agreed.

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.

Moneybarn hasn't provided a copy of the credit check it completed although it noted that Mr R had defaulted on previous borrowing with the most recent default being three months before his application. As I do not have a copy of Moneybarn's credit check results I've relied on a copy of the credit file supplied by Mr R. Although this is a more recent report, it gives an indication of what Moneybarn would likely have seen. Based on the credit report provided Mr R had defaulted on four accounts within the six months previous to his application. I think this ought to have indicated that Mr R was likely to be struggling financially. It therefore

would have been proportionate for Moneybarn to have got a more thorough understanding of Mr R's financial circumstances before lending.

Before granting the finance, Moneybarn received copies of Mr R's weekly payslips for December. I find this reasonable although given the term and size of the agreement it could have been reasonable to have requested income information for a slightly longer period. Moneybarn says it allowed an amount for Mr R's non-discretionary spending, but I have nothing to show that it asked Mr R about his expenditure. Although it did complete a credit check, this won't have indicated what Mr R's regular living expenses were. Without knowing what Mr R's regular committed expenditure was, Moneybarn wouldn't have got a reasonable understanding of whether the agreement was affordable or not. And noting that Mr R had experienced previous issues with making repayments I think it was important that Moneybarn gathered information about Mr R's specific expenses rather than relying on an estimate. Therefore, Moneybarn didn't complete proportionate checks.

I can't be certain what Mr R 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 Mr R's statements as an indication of what would most likely have been disclosed.

I've reviewed the bank statements provided for the three-month period prior to the application and although these don't cover the entire period, they give an indication of Mr R's expenses. Additional to this I have considered the information Mr R has provided about his costs. These show that Mr R's regular committed monthly expenditure at the time for costs such as his rent, bills and food appeared to be around £650. I note the comments Mr R has made about his gambling and I appreciate that this must have been a difficult time for him. However, in this case I do not find that Moneybarn should have been reasonably aware that Mr R was struggling with gambling at the time and I think even if further checks had been carried out it is unlikely this would have been identified. As Mr R's income at the time was around £1,100, taking his expenses into account, it appears to show the agreement was affordable to Mr R. For this reason, I'm not persuaded that Moneybarn acted unfairly in approving the finance.

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 Mr R to accept or reject my decision before 27 April 2023.

Jane Archer
Ombudsman