

The complaint

Mr F complains that Moneybarn No. 1 Limited irresponsibly granted him finance (under a conditional sale agreement) he couldn't afford to repay.

Mr F is represented in this complaint by a third party. But for ease I will simply, in the main, refer to Mr F rather than Mr F and his appointed representative.

What happened

In October 2019 Mr F entered into a conditional sale agreement for a used car costing £4,895.

Under the term of the agreement, everything else being equal, Mr F undertook to make 59 monthly payments of £142.23 making a total repayable of £8,391.57 at an APR of 36.9%.

In February 2022 Mr F complained to Moneybarn that it had acted irresponsibly when it granted him finance in October 2019.

In March 2022 Moneybarn issued Mr F with a final response letter ("FRL"). Under cover of this FRL Moneybarn said it that it couldn't agree that it acted irresponsibly in granting the finance that it did.

In April 2022, and unhappy with Moneybarn's FRL, Mr F referred his complaint to our service.

Mr F's complaint was considered by one of our investigators who came to the view that Moneybarn should have carried out more checks to assess affordability of the finance it was looking to grant, but such checks wouldn't have caused it to conclude that finance was unaffordable.

In other words, the investigator concluded that Moneybarn hadn't done anything wrong in approving the finance that it did.

Mr F didn't agree with the investigator's view, so his complaint has been passed to me for review and 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 (and Mr F's appointed representative) 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.

I would also like to make it clear that we consider each case on its individual merits and my decision is based on the unique circumstances of this complaint.

Based on what has been said and submitted I'm satisfied that Moneybarn did enough to verify Mr F's declared net monthly income.

Moneybarn hasn't provided a copy of the credit checks it completed. I've therefore relied on what Mr F says a search of his credit file in October 2019 would have likely returned.

And this leads me to conclude that prior to October 2019 Mr F had experienced some financial issues (including but not restricted to a number of defaults being registered against him) and that he was likely to be struggling financially in October 2019.

Although I'm satisfied that what Mr F says a search of his credit file in October 2019 would have likely returned, in itself, shouldn't have led Moneybarn to conclude it shouldn't grant the finance, especially given the market it operates in, I think it would have been proportionate for it to have verified Mr F's expenditure to ensure it had a thorough understanding of his financial circumstances before doing so.

One of the ways that Moneybarn could have verified Mr F's expenditure was by reviewing bank statements and/or by completing an income and expenditure form. While Moneybarn wasn't required to do either, I've reviewed three months of Mr F's bank statements and what he says was his average monthly expenditure.

I think this gives me a good indication of what Moneybarn would likely have found out had it completed proportionate checks.

This information shows that Mr F's regular committed monthly expenditure at the time was around £2,300. In calculating this figure, I've included costs such as food, rent and other credit commitments.

Also, this information doesn't bring into doubt what Mr F declared (to Moneybarn) was his monthly net income (£1,708) and it shows that he was in receipt of at least £1,500 a month from his partner (this being a contribution towards expenditure), all of which means he was in receipt of bank credits (at the relevant time) totalling more than £3,200 a month.

As the repayments under the agreement were for around £142, I don't find that I can say that had further checks taken place then the agreement would have been found to be unaffordable.

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

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 F to accept or reject my decision before 1 May 2023.

Peter Cook
Ombudsman