

The complaint

Miss O complains that Moneybarn No. 1 Limited irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In April 2019, Miss O acquired a used car financed by a conditional sale agreement from Moneybarn. Miss O was required to make 59 monthly repayments of around £216. The total repayable under the agreement was around £12,723.

Miss O says that Moneybarn didn't complete adequate affordability checks. She 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 credit check, credit worthiness checks and verifying Miss O's income.

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

Miss O didn't agree and said there were multiple defaults on her credit file at the time she applied for the finance, and she was making payments to a debt management company and a high-cost lender as well as being charged unpaid transaction fees and overdraft fees on her account. She says this showed she was in financial difficulty at the time the agreement was provided.

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 has said that it carried out a credit check before approving Miss O's application. Unfortunately, a copy of the credit check it completed isn't available. I've therefore relied on a copy of the credit file supplied by Miss O. I think this gives a good indication of what Moneybarn would likely have seen. At the time of the application, it shows that Miss O had several historic defaults and while she was making repayments through a debt management company, I think this should have raised concerns. Miss O's credit report shows that she had an account that defaulted the month before the agreement was provided and another account defaulted in the month of the agreement. Given the timing of these defaults it is likely the default recorded in the month of the agreement being provided wouldn't have shown on Moneybarn's credit check and possible this is also the case for the default recorded in the previous month. However, given the signs of previous financial difficulties

shown by Miss O's credit report, including defaults and the use of high-cost lenders, I think it would have been proportionate for Moneybarn to have got a more thorough understanding of Miss O's financial circumstances before lending.

Moneybarn has said that it verified Miss O's income through the credit reference agencies and relied on statistical data to estimate her non-discretionary expenditure. Given the results from the credit check I think it would have been reasonable and proportionate to have understood Miss O's specific financial circumstances, rather than relying on an estimate.

I can't be certain what Miss O would have told Moneybarn had it asked about her 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 Miss O's statements as an indication of what would most likely have been disclosed.

I've reviewed three months of bank statements prior to the application. These show that Miss O's regular committed monthly expenditure at the time was just around £1,030. In calculating this figure, I've included costs such as Miss O's credit commitments, bill payments and insurance costs. While Moneybarn recorded Miss O's income at the time as £1,400 her statements show this was higher at around £1,680. Taking these figures into account and deducting the £216 for the repayments under the agreement would still leave a reasonable amount for other living costs. Therefore I find the information gathered appears to show the agreement was affordable to Miss O. 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 Miss O to accept or reject my decision before 24 April 2023.

Jane Archer
Ombudsman