

The complaint

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

What happened

At end November 2019, Miss M signed an agreement to acquire a used car financed by a conditional sale agreement from Moneybarn. Miss M paid a deposit of around £595 and was required to make 44 monthly repayments of around £174. The total repayable under the agreement was around £8,269.

Miss M 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 full credit check and verifying Miss M's income with a credit reference agency. It assessed her expenses based on statistical data and said based on its checks the agreement was affordable.

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

Miss M didn't agree and said that Moneybarn shouldn't have provide the finance given the level of her other debts at the time. She noted that she had a previous agreement to finance a car from Moneybarn which following contact with the Financial Ombudsman Service she had been able to return.

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.

Miss M has noted a previous complaint she had upheld. I have noted this but I assess each complaint based on its individual merits and my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint.

Moneybarn has said its credit check showed that Miss M did have defaulted accounts, the most recent being three months prior to the application but no county court judgements, or insolvency records. It noted Miss M's level of borrowing and monthly repayments. I haven't seen a copy of the credit report Moneybarn received at the time and so I've considered the information Moneybarn provided alongside the copy of the credit file supplied by Miss M. Although Miss M's credit report is more recent, I think this still gives a good indication of

what Moneybarn would likely have seen. At the time of the application, it shows that Miss M had a number of historic defaults from 2015 and 2016 and a default from three months prior to her lending application (as noted by Moneybarn). I think this ought to have indicated that Miss M was likely to be struggling financially. It therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Miss M's financial circumstances before lending.

Moneybarn noted Miss M's monthly income as £1,344. It has explained that it verified this income through a credit reference agency check. Moneybarn says it calculated Miss M's expenditure using statistical data. The regulator has said firms can estimate expenditure unless it knows or there are indicators to suggest an estimate is unlikely to be accurate. The credit check Moneybarn completed showed that Miss M was likely to be struggling financially. In those circumstances I think it would have been reasonable and proportionate to have understood Miss M's specific financial circumstances, rather than relying on an estimate for her expenses, and to have verified her income.

At the time Miss M's income was recorded as £1,344 however having looked through her bank statements these show an income of over £1,600 when her benefits (excluding housing benefit) are included and around £2,000 if housing benefit is included.

I can't be certain what Miss M 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 M'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 M's regular committed monthly expenditure for costs such as rent, council tax, utilities, and insurance payments at the time was around £1,000. Additional to these costs Miss M was paying £52 a month towards a debt management plan and was also making payments towards another credit facility. While the amounts she paid towards the credit facility varied, as our investigator has noted, we have to consider what it is reasonable to take into account based on what was likely to have been identified had further checks taken place. In this case I think it reasonable that an amount to reflect the average minimum repayment for the credit facility is included. After including these amounts, it appears to show the agreement was affordable to Miss M. 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 M to accept or reject my decision before 18 May 2023.

Jane Archer
Ombudsman