

The complaint

Ms B complains about credit granted to her by Moneybarn No. 1 Limited.

Ms B has brought her complaint via a claims management company but for simplicity I'll refer to her throughout.

What happened

Moneybarn agreed credit for Ms B in June 2016 and again in April 2020 to finance a car. The credit was granted under a condition sale agreement each time.

The cash price of the car Ms B acquired in 2016 was £6,990. The total amount owing under this agreement came to £12,344 including interest and charges. Ms B paid an advance of £310 and the remainder was to be repaid by 46 instalments of £262 (figures rounded). This agreement was fully repaid by April 2020.

The cash price of the car Ms B acquired in 2020 was £10,950. The total amount owing under this agreement came to £20,023 including interest and charges. Ms B paid an advance of £1,238 and the remainder was to be repaid by 59 instalments of £318 (figures rounded). This agreement was settled early and closed in April 2022.

Ms B said that Moneybarn didn't carry out reasonable checks before agreeing credit for her on either occasion. She said that she had adverse information on her credit file and was dependent on credit and Moneybarn shouldn't have lent to her.

Moneybarn said that it carried out all the necessary checks before entering into the agreements. It confirmed Ms B's income, estimated her expenditure and checked her credit file before agreeing credit for her in 2016. Before agreeing credit in 2020 Moneybarn checked Ms B's credit file again. Moneybarn said Ms B passed all the necessary checks and it wasn't irresponsible to have agreed credit for her on either occasion.

Ms B referred her complaint to us and our investigator looked into what happened. They found that Moneybarn should have carried out a more comprehensive affordability assessment than it did before entering into each agreement with Ms B. However, they also found that further checks wouldn't have shown the credit to be unaffordable for Ms B on either occasion so didn't recommend that her complaint be upheld.

Ms B didn't agree with this recommendation. She asked for her complaint to come to an ombudsman for a review and it's come to me.

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.

The Financial Conduct Authority was the regulator when Moneybarn lent to Ms B. Its rules and guidance said that before agreeing credit for her, Moneybarn needed to check

that she could afford to meet her repayments sustainably, without experiencing adverse consequences. In other words without incurring or increasing problem indebtedness, without having to borrow further, and while meeting her other debt payments and other normal outgoings. These checks needed to be proportionate to the nature of the credit (the amount and term, for example) and to Ms B's particular circumstances.

Ultimately, Moneybarn needed to treat Ms B fairly and take full account of her interests when making its lending decision. It would not be lending fairly if *"it targeted customers with regulated credit agreements which are unsuitable for them, by virtue of their indebtedness, poor credit history, age, health, disability or any other reason."*

With this in mind, my main considerations are did Moneybarn complete reasonable and proportionate checks when assessing Ms B's applications to satisfy itself that she would be able to make her repayments sustainably? If not, what would reasonable and proportionate checks have shown? Would this information have led to the credit being declined? Ultimately, did Moneybarn make fair lending decisions?

Moneybarn provided the information it relied on including information from Ms B's applications, her payslips and her credit file. Ms B provided her bank statements for the time of the lending in 2016 and 2020 and a recent copy of her credit file.

2016 agreement

Moneybarn recorded that Ms B was employed and earned £1,508 a month on average. It checked two payslips from May and June 2016 which showed Ms B's take home pay was £1,336 and £1,680 respectively. Moneybarn estimated Ms B's expenditure and checked her credit file. It said Ms B's borrowing levels met its lending criteria, but hasn't provided a copy of the information it relied on. It did provide a high level summary which showed Ms B had little debt and although there was a defaulted amount of £1,600 from 2013 this had reduced by the time of this agreement.

I haven't seen evidence that Moneybarn gathered information about Ms B's usual outgoings or verified these. I think it ought to have done so in this case, given that Ms B's income varied and she would need to meet a repayment for four years which could take up 20% of her wages. I've concluded that Moneybarn didn't take reasonable steps to assess whether the credit would have been affordable for Ms B in a sustainable manner over the agreement term.

Ms B provided us with her bank statements from the time and I've reviewed these. To be clear I'm not suggesting that this is the information Moneybarn should have sought but I think it's reasonable to rely on these to understand what a proportionate check might have revealed about Ms B's finances. These confirm Ms B's income level and show that she spent about £850 on her rent and bills. This left an average of £650 to meet her payment to Moneybarn of £262 and any other usual costs such as food and fuel.

Ms B provided a current copy of her credit file and I can see that she took out other credit during 2017 and had problems repaying a utility bill. However, prior to the agreement it seems Ms B had little debt and the loan repayments would be affordable for her. I think further checks would have reassured Moneybarn that providing this credit wouldn't impact adversely on Ms B and it would have proceeded with the agreement. So I can't find that Moneybarn was irresponsible to have done so based on the information it had available.

2020 agreement

Ms B's credit file shows that throughout 2017 Moneybarn reported arrears of one or two

months in relation to her 2016 agreement. I understand that Ms B lost her job towards the end of 2016 and it took a few months before she was able to meet her full repayments again. Moneybarn set up a payment plan for the arrears to run alongside the usual repayments and there was no adverse information reported from 2018 onwards.

When Ms B applied for credit again, Moneybarn checked her credit file. It hasn't provided a copy of this but said that Ms B had one County Court Judgment (CCJ) dated 12 months prior to her application and the most recently defaulted account was seven months prior. Moneybarn recorded Ms B's income as £1,800 and her expenditure as £860 but I haven't seen any evidence that Moneybarn verified these figures. Given that Ms B would need to meet her repayments of £318 over five years and it seemed she had recent difficulty meeting her existing debts, I think it would have been proportionate for Moneybarn to have looked into her circumstances further before agreeing to lend to her again. I've concluded that Moneybarn didn't take reasonable steps to assess whether Ms B would be able to meet her repayments for this agreement without experiencing financial difficulty or other adverse consequences.

Ms B provided us with her bank statements from the time and I've reviewed these. Again - I'm not suggesting that this is the information Moneybarn should have sought but I think it's reasonable to rely on these to understand what a proportionate check might have revealed about Ms B's finances. These confirm Ms B's income level and show that she spent about £900 on her rent and bills. This left an average of £900 to meet her payment to Moneybarn of £318 and any other usual costs such as food and fuel.

I've looked again at Ms B's credit file to see what debts she had at that time. As mentioned Ms B had incurred a CCJ and a recent default. She had other defaults from 2018 and 2019, some of which were with debt collection companies. She also had arrears on a short term loan and, as mentioned, a utility account. These debts amounted to around £2,000. Ms B was also borrowing from two high cost lenders at the time and had some buy-now pay-later borrowing. Altogether, it seems that Ms B was having some problems managing her finances.

However, I don't think this means that Moneybarn would have automatically declined to lend to Ms B. While she had some defaults and arrears, she also had a good repayment history with Moneybarn and her bank statements don't indicate that she was dependent on borrowing. It is true that she was having some problems managing her existing debts however, her level of existing debt wasn't so great relative to her means that it was unlikely she'd be able to repay these debts while meeting her repayments for this new agreement. Altogether, I can't say that Moneybarn treated Ms B unfairly or was irresponsible to have entered into this agreement with her based on the information it had.

In summary

I've concluded that although Moneybarn ought to have found out more about Ms B's finances before lending to her on either occasion, further information wouldn't have led to declines. I can't find that it was wrong of Moneybarn to lend with the information it had and I don't think it treated her unfairly. I appreciate that this will be very disappointing for Ms B but I am not upholding her complaint about Moneybarn.

My final decision

For the reasons I've set out above, I am not upholding Ms B's complaint about Moneybarn No. 1 Limited and don't require it to take any action regarding this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or

reject my decision before 27 April 2023.

Michelle Boundy
Ombudsman