

The complaint

Mr A, who is represented by a third party, complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him a conditional sale he couldn't afford to repay.

What happened

In November 2016, Mr A acquired a used car financed by a conditional sale agreement from Moneybarn. Mr A was required to make 60 monthly repayments of £253.04. Mr A also paid a deposit of £400. The total repayable under the agreement was £15,329.36.

Mr A got into difficulties with meeting his regular repayments and in January 2017 he was issued with a default notice. The car was sold at auction in April 2017 with the remaining outstanding balance being passed to third party in December 2019.

Mr A 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.

Our adjudicator recommended the complaint be upheld. He thought Moneybarn ought to have realised the agreement wasn't affordable to Mr A.

In my provisional decision dated 10 February 2023 I explained why I didn't think that Moneybarn acted unfairly in approving the finance. I set out an extract below:

"Moneybarn says the credit check completed showed that Mr A had taken out some new credit in the months prior to the agreement and had seem to be managing those well. Mr A had however defaulted on borrowing in the previous 29 months and that he'd entered into an individual voluntary arrangement (IVA). Moneybarn obtained agreement from the insolvency practitioner dealing with Mr A's arrangement that he was able to enter into the agreement provided he was deemed by the finance company to have returned is previous car in good condition. But given the fact that Mr A clearly had recently had financial difficulties and had experienced problems with his previous car finance agreement, I think it would have been sensible for Moneybarn to have gathered more detail about Mr A's financial circumstances before granting him the agreement.

Moneybarn obtained confirmation of Mr A's financial situation at the time by requesting two months of bank statements. These appeared to show he was earning a net monthly income of around £1,400. But I can't see that it asked him for more details, for instance by way of a breakdown, about his expenditure, such as his housing costs and day-to-day living expenses. I don't think from what I've seen that the bank statements provided enough detail about this. Although Moneybarn had completed a credit check, this won't have indicated what Mr A's regular living expenses were. Without knowing more about Mr A's regular committed expenditure, Moneybarn wouldn't have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn't complete proportionate checks.

I've considered what Moneybarn would likely have found out if it had completed reasonable and proportionate affordability checks. I've also kept in mind the comments made by Moneybarn in response to our adjudicator's view.

I've noted that Mr A was making occasional use of his overdraft in the three months before the agreement and that his overdraft did on one occasion reach about £500. I've also seen that he had some direct debits returned in the three months before he took out the agreement. That suggests that Mr A may have been experiencing some difficulty managing his finances at this point and that they might have been stretched. Mr A told us he was paying his family £400 per month by way of a contribution towards rent, but – as Moneybarn has pointed out - it would be helpful to have more detail about where this is shown on his bank statements

As things stand therefore, without receiving further details about Mr A's monthly outgoings at the time, including better information about how he was paying his family for his housing costs that can be supported by bank statements, I don't think I've seen enough so far about Mr A's financial situation. So I can't fairly say that before he took the agreement better checks by Moneybarn would likely have shown he didn't have enough disposable income to make the repayments required under the agreement.

It follows that I am not currently persuaded that Moneybarn acted unfairly in approving the finance."

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.

Given that neither Mr A nor Moneybarn have responded to my provisional decision with any further evidence or information within the required time-scale, I see no reason to depart from my finding that Moneybarn didn't act unfairly in approving the conditional sale agreement.

My final decision

For the reasons I've given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 30 March 2023.

Michael Goldberg
Ombudsman