

The complaint

Miss W and Mr W complain that Moneybarn No. 1 Limited irresponsibly granted them finance (under a conditional sale agreement) they couldn't afford to repay.

Miss W and Mr W are represented in this complaint by a third party. But for ease I will simply, in the main, refer to Miss W and Mr W rather than Miss W, Mr W and their appointed representative.

What happened

In May 2020 Miss W and Mr W entered into a conditional sale agreement for a used car costing £7,898.00.

Under the term of the agreement, everything else being equal, Miss W and Mr W undertook to make 59 monthly payments of £258.93 making a total repayable of £15,276.87 at an APR of 34.9%.

In August 2021 Miss W and Mr W took the decision to repay the agreement in full.

In January 2022 Miss W and Mr W complained to Moneybarn that it had acted irresponsibly when it granted them finance in May 2020.

In March 2022 Moneybarn issued Miss W and Mr W 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 March 2022, and unhappy with Moneybarn's FRL, Miss W and Mr W referred their complaint to our service.

Miss W and Mr W'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.

Miss W and Mr W didn't agree with the investigator's view, so their 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 Miss W and Mr W'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.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Miss W and Mr W about their income. I say this because it verified their income by checking two monthly payslips for Miss W and eight weekly payslips for Mr W.

Moneybarn hasn't provided a copy of the credit checks it completed. I've therefore relied on a copy of the credit files supplied by Miss W and Mr W. I think these give a good indication of what Moneybarn would likely have seen. And the content of these credit files lead me to conclude that prior to May 2020 Miss W and Mr W had experienced some financial issues (including but not restricted to a number of defaults being registered against them) and that they were likely to be struggling financially in May 2020.

Although I'm satisfied that the content of these credit files, in themselves, 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 Miss W and Mr W's expenditure to ensure it had a thorough understanding of their financial circumstances before doing so.

One of the ways that Moneybarn could have verified Miss W and Mr W'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 Miss W and Mr W's bank statements and what they say was their 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 Miss W and Mr W's regular committed monthly expenditure at the time was around £2,500. In calculating this figure, I've included costs such as food, fuel, insurance and other credit commitments.

Miss W's (two) payslips show her net pay for April and May 2020 to be approximately £1,270. Mr W's (eight) payslips show his net pay for April and May 2020 to be approximately £2,430, giving a combined net income of approximately £3,700 – a figure that I've been able to verify to the bank statements supplied by Miss W and Mr W.

As the repayments under the agreement were for around £260, 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 Miss W and Mr W to accept or reject my decision before 1 May 2023.

Peter Cook
Ombudsman