

The complaint

Mr R believes Moneybarn No.1 Limited trading as Moneybarn acted irresponsibly by agreeing a conditional sale agreement he'd applied for.

Mr R is being represented in this complaint by Company R, a professional representative.

What happened

On 28 February 2018, Mr R was supplied with a used car through a conditional sale agreement with Moneybarn. He paid an advance payment of £50 and the agreement was for £9,945 over 60 months, with monthly repayments of £317.72.

Mr R has complained that Moneybarn didn't act responsibly when approving the finance. He's said it wasn't affordable and, although he only missed one payment with them, it led to him running up debts elsewhere as he needed the car for work. Moneybarn didn't agree they'd acted irresponsibly, so Mr R brought his complaint to us for investigation.

Our investigator said that Moneybarn verified Mr R's income at the time he made the application, and they also checked his credit file. While Moneybarn were unable to provide a copy of the credit file they checked, they've said that Mr R had limited borrowing and recent adverse credit. Given the recent adverse credit, the investigator didn't think that Moneybarn carried out reasonable checks. And she thought they should've done more checks.

The investigator considered Mr R's bank statements at the time, and she said they showed he had sufficient disposable income to support the payments to Moneybarn. So, she thought that, if Moneybarn had carried out reasonable checks, they would still have approved the finance. And she didn't think Moneybarn needed to do anything more.

Company R, on Mr R's behalf, disagreed with the investigator. However, despite being asked, they declined to explain why they thought the finance was unaffordable to Mr R when it was agreed. And they declined to provide any further evidence to support their view that Mr R couldn't afford the payments. Instead they asked for an ombudsman to make 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the credit in a sustainable way?
 - a. if so, did Moneybarn make a fair lending decision?

- b. if not, would reasonable and proportionate checks have shown that Mr R could sustainably repay the borrowing?

2. Did Moneybarn act unfairly or unreasonably in some other way?

And, if I determine that Moneybarn didn't act fairly and reasonably when considering Mr R's application, I'll also consider what I think is a fair way to put things right.

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration and payments of the finance being applied for; as well as the borrowers' personal circumstances at the time of each application.

Mr R supplied Moneybarn with his payslips for December 2017 and January 2018. These showed an average income of £1,724.51 a month. However, Moneybarn have been unable to provide a copy of the credit report they used to calculate Mr R's monthly expenditure.

As Moneybarn are unable to evidence the checks they performed, I can't be satisfied that they carried out reasonable and proportionate checks. Therefore, I've gone on to consider what Moneybarn would likely have found had reasonable and proportionate checks been carried out.

Would reasonable and proportionate checks have shown that Mr R would be able to repay the credit in a sustainable way?

In these circumstances, I would usually consider the historical data on an up to date credit search, which would show what a financial business would likely have seen at the time any finance was approved. This information can only be obtained from the consumer, and it's not possible for either ourselves or the financial business to get this.

However, in this instance, Company R have confirmed that Mr R was unable to provide this information. As such, I need to consider whether the finance was affordable based on the information provided from other sources.

Mr R has provided bank statements for the period 1 November 2017 to 31 January 2018. The finance agreement came into force on 28 February 2018 and, while I wouldn't necessarily have expected Moneybarn to ask for bank statements, I think these statements give a good indication of what Moneybarn would likely have discovered if they'd asked about Mr R's income and expenditure at the time.

The bank statements for the three-month period before the account with Moneybarn was opened show Mr R had an average income of £1,710. But, one of the payslips is substantially higher than the others, indicating some form of additional payment for that month. I therefore think it's reasonable for any calculations to be based on Mr R's £1,690 regular monthly income.

I've also noted that Mr R's bank statements don't show any accommodation costs. However, he was in the armed forces at the time of the application, and he's said he was living away from his ex-partner and his children. I think it's therefore reasonable to conclude that Mr R was in forces accommodation. And it's my understanding that any costs for this is dealt with as a direct deduction from his pay.

The bank statements show that Mr R had regular outgoings averaging £952 a month. This was for TV, phone, games console subscription, car tax, insurances, and credit commitments. The credit commitments show that Mr R was using short-term credit, also referred to as PayDay loans. During the three-month period of the bank statements he borrowed £1,513 and paid back £1,345. Given the nature of this type of lending, I'm satisfied that Mr R was generally paying back what he borrowed, and that he wasn't in a position where these loans went unpaid.

Even allowing for these credit commitments, and the payment to Moneybarn, the bank statements show that Mr R had £420 disposable income a month – about 25% of his net monthly income – for discretionary expenditure.

So, taking all this into consideration I'm satisfied that, had Moneybarn carried out proportionate checks, they would've seen that the finance was affordable. And they therefore acted responsibly when approving the credit. And I won't be asking then to do anything more.

Did Moneybarn act unfairly or unreasonably in some other way?

I haven't seen anything to make me think Moneybarn acted unfairly or unreasonably in some other way.

My final decision

For the reasons explained above I don't uphold Mr R's complaint about Moneybarn No.1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 April 2023.

Andrew Burford
Ombudsman