

The complaint

Mrs S complains that Moneybarn No. 1 Limited irresponsibly granted her a conditional sale agreement she couldn't afford to repay.

What happened

In May 2017, Mrs S acquired a used car financed by a conditional sale agreement from Moneybarn. Mrs S was required to make 59 monthly repayments of around £171. The total repayable under the agreement was around £10,062.

Mrs S 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 search and verifying Mrs S' income based on her payslips. It says Mrs S' existing borrowing levels were low and there were no recent missed repayments reported nor county court judgements or insolvency records.

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

Mrs S didn't agree and said that her credit score would have been low and that her mortgage payments suffered due to taking out this finance. She said her bank statements should have been assessed and that she was responsible for paying the full mortgage amount and a top up loan for the mortgage.

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.

Moneybarn hasn't provided a copy of the credit check it completed but it has provided information about the results. I've compared this to the extracts of the credit reports supplied by Mrs S. This shows that at the time of the application Mrs S had just under £700 of short-term debt and had had accounts in default. I can't see any evidence of any county court judgement or insolvencies. So, while I note the evidence suggest Mrs S may have experienced some previous financial issues, I do not think the credit check evidence alone suggests the lending shouldn't have been provided.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mrs S about her income. I say this because it received copies of her

payslips. These showed Mrs S had a monthly income of just over £1,300. Moneybarn didn't ask Mrs S about her expenditure. Although it did complete a credit check, this won't have indicated what Mrs S' regular living expenses were. Without knowing what Mrs S' regular committed expenditure was Moneybarn wouldn't have got a reasonable understanding of whether the agreement was affordable or not.

I can't be certain what Mrs S 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 Mrs S' statements as an indication of what would most likely have been disclosed.

I've reviewed the statements that have been provided for the three-month period prior to the application and although these aren't complete, I think they give a reasonable indication of Mrs S' expenses at the time. These show that Mrs S was making regular payments for other credit commitments, insurance as well as food and fuel. She has said that her husband paid for the utilities, and she paid the mortgage and mortgage top up loan. I can see evidence of a £340 payment to the top up loan Mrs S has noted in one of the months, but monthly mortgage payments aren't clearly shown. Mrs S' regular expenses included loan repayments of around £198, another credit commitment of a round £142 and other regular payments totally around £100. Mrs S has also explained she had other family members living with her at the time and they made a contribution towards costs. These can be seen in the statements with significant amounts being paid in and some payments going out. Taking this all into account, and noting the comment Mrs S has made about payments, I do not find I have enough to say that had further questions been asked about Mrs S' expenses at the time, these would have resulted in Moneybarn considering the lending 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 Mrs S to accept or reject my decision before 22 May 2023.

Jane Archer
Ombudsman