

The complaint

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

What happened

In June 2022, Mrs A acquired a used car financed by a conditional sale agreement from Moneybarn. Mrs A paid a deposit of £2,000 and was required to make 59 monthly repayments of around £210. The total repayable under the agreement was around £14,395.

Mrs A 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 check and verifying Mrs A's income. It said it recorded Mrs A's credit commitments based on the results of its credit check and used third-party statistical data to assess her non-discretionary expenditure. Based on its checks it said the agreement was affordable.

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

Mrs A didn't agree and as a resolution hasn't been reached 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 although it has noted the results showed that Mrs A had no recent missed payments, no defaults or county court judgements recorded and moderate borrowing levels. I've considered this against the credit file and other information provided on behalf of Mrs A which shows her active accounts were up to date. Given this, I do not find that the credit information provided raises concerns that meant the lending shouldn't have been provided or that additional checks aside from those assessing the affordability of the repayments, were needed.

Moneybarn has explained that it verified Mrs A's income through a credit reference agency. I find this reasonable. It has also said that it used estimates for Mrs A's expenditure from a third-party statistical source, alongside the information about her other credit commitments from her credit file. While estimates from third-party data can provide an indication of a consumer's expenses, given the outcome from these calculations showed that Mrs A would have limited funds available after the repayments of the agreement (and noting the

repayments were required over a five-year term), I think it would have been reasonable to have verified Mrs A's expenses in some way to ensure that the lending was affordable over its term.

One of the ways that Moneybarn could have verified Mrs A's expenditure was by reviewing bank statements. In the absence of anything else, I've reviewed three months of statements which I think give a good indication of what Moneybarn would likely have found out had it completed proportionate checks.

The statements show that Mrs A's regular committed monthly expenditure at the time was around £1,000. In calculating this figure, I've included cost for utilities and associated costs, credit commitments, and other regular memberships. Additional to these costs, Mrs A was paying for food and other living costs. While I note Mrs A's income had been verified as being £1,600 a month had her bank statements been checked for her expenditure these would have shown her income was lower, averaging round £1,490 a month. Additional to this there were transfers into the account (and out) from individuals which I haven't included in the calculation. However, taking the lower income figure and the amounts identified for Mrs A's expenses into account, I do not find I have enough to say that further checks would have shown the agreement to have been unaffordable for Mrs A. 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 A to accept or reject my decision before 13 June 2023.

Jane Archer
Ombudsman