

The complaint

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

What happened

In May 2019 Miss S acquired a used car costing £6,204 financed by an agreement from Moneybarn.

Under the terms of the agreement, everything else being equal, Miss S undertook to make 59 monthly repayments of £203.39. The total repayable under the agreement was £12,000.01 at an APR of 34.9%.

Miss 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 it had performed several different checks before agreeing to lend which included:

- a full credit search (with a credit reference agency) which provided details of Miss S' current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Miss S' declared net monthly income of £2,200 (with a credit reference agency)
- the use of statistical data from the Office for National Statistics ("ONS") to estimate Miss S' level of non-discretionary expenditure (including housing, council tax utilities and vehicle costs)
- the use of information (from a credit reference agency) to assess Miss S' ongoing monthly borrowing commitments

Moneybarn said that from the above checks it was able to establish:

- Miss S's existing borrowing was within its lending criteria
- Miss S had one or more defaults, but the latest of these was more than six months old
- payments were being made by Miss S towards all defaults registered against her
- Miss S had no county court judgements registered against her
- Miss S hadn't been declared insolvent or bankrupt
- Miss S's net monthly income was £2,200 as declared by her
- Miss S's non-discretionary expenditure had been estimated at £1,005.25
- Miss S's current borrowing commitments were £315 a month
- Miss S had a disposable income of £822.98 being £2,200 less £1,005.25 less £315 less £56.77 (an additional allowance to allow for variations in any estimates made)
- its lending, at a monthly cost of £203.39, equated to 24.7% of Miss S' calculated net disposable income

Moneybarn also pointed out that Miss S signed to say that her net monthly income was no less than £2,200 and her non-discretionary expenditure was no more than £1,005.25.

One of our investigator's looked into Miss S' complaint and concluded it shouldn't be upheld. He said that in all the circumstances Moneybarn could and should have undertaken further checks about Miss S' financial position and personal circumstances before it agreed to lend. But he wasn't persuaded, based on what Miss S had provided our service about her financial position and personal circumstances in, and immediately prior, to May 2019 that further (and proportionate) checks by Moneybarn would have, or should have, caused it not to lend.

Miss S didn't agree and so her 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.

First I would like to make it clear that I'm only considering in this decision Miss S' complaint that Moneybarn irresponsibly granted her an agreement she couldn't afford to repay, the complaint raised with Moneybarn by a third party on Miss S' behalf in January 2023 and addressed by Moneybarn in its final response letter dated February 2023. I say this because it appears that Miss S might also have concerns about how Moneybarn managed and administered her borrowing after May 2019.

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.

I agree with the investigator that in the particular circumstances of this case Moneybarn didn't carry out proportionate checks before it agreed to lend to Miss S. But I also find myself agreeing with him that had Moneybarn carried out further (and proportionate) checks it wouldn't have, nor should it have, concluded that it shouldn't lend to Miss S.

Miss S has provided our service with bank statements (for two accounts) for the three month period prior to Moneybarn agreeing to lend. And for the avoidance of doubt, I can confirm that I'm satisfied (unlike the investigator) that these statements cover the entire three month period prior to Moneybarn agreeing to lend. In other words, there are no missing statements.

Now it's not my role to say what further (and proportionate) checks Moneybarn should have undertaken. But had it asked Miss S for bank statements covering the three month period prior to mid-May 2019 and assuming Miss S would have supplied Moneybarn with exactly what she has provided our service it's my understanding that Moneybarn would have discovered that:

- Miss S received external credits (such as a salary) of approximately £2,200 a month
- Miss S made a number of internal account transfers each month, including (but not restricted to) transfers between the two accounts she has provided our service statements for
- Miss S was making a number of faster payments each month but to where, or to whom, wasn't clear*
- Miss S had very little non-discretionary expenditure (including housing, council tax utilities and vehicle costs) and certainly not as much as the ONS estimate it relied on when agreeing to lend to her
- Miss S's existing borrowing commitments (such as loans and credit cards) didn't exceed £315 a month
- account 1 was never more than £350 overdrawn

- account 2 was never overdrawn

** I would not have expected Moneybarn to have made any further enquiries into what these payments might (or might not) relate to*

And this discovery wouldn't have caused it, nor should it have caused it, to decide not to lend to Miss S.

For the sake of completeness, I would add that I've reviewed a copy of Miss S' credit file (dated March 2023). Now I accept this won't show (for obvious reasons and for reasons I'm satisfied I don't need to explain in this decision) exactly what Moneybarn's credit check would have found in May 2019. But I've seen nothing in Miss S' credit report (dated March 2023) that would cause me to question what Moneybarn says its credit check found in May 2019.

Finally, I would like to add that I don't dispute that Miss H might have found herself in financial difficulties shortly after taking out her agreement with Moneybarn, but this in itself isn't sufficient for me to uphold her complaint.

In summary I can confirm (based on what both parties have said and submitted) that I'm satisfied that Moneybarn did nothing wrong when it took the decision to lend to Miss S in May 2019.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 June 2023.

Peter Cook
Ombudsman