

The complaint

Miss S, who is represented by a third party, complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted her a conditional sale agreement ("agreement") she couldn't afford to repay.

What happened

In September 2019, Miss S acquired a used car 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 £232.58. The total repayable under the agreement was £13,722.22 at an APR of 35.9%.

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 that it carried out a thorough assessment which included a search of Miss S' credit file and checking her income. Moneybarn also said it was aware of a recent default (eight months old), but this didn't cause it concern as Miss S had low borrowing levels and no CCJs. It also pointed out that it aims to assist people with moderate means seeking access to credit that may otherwise be unavailable to them and it operates as a 'second chance' lender meaning historic negative behaviour wouldn't necessarily lead to an application being declined.

One of our investigator's looked into Miss S' complaint and concluded it shouldn't be upheld. She thought Moneybarn didn't act unfairly or unreasonably in approving the finance.

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.

Moneybarn and Miss 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.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Miss S about her ability to repay that finance.

As part of her application Miss S declared she was employed as a shop manager on a (net) monthly income of £1,248. Moneybarn said this declared income was verified with one of the major credit reference agencies and I'm satisfied this is what Moneybarn did. I think it's also worth pointing out that bank statements provided to our service (by Miss S) confirms such an income and actually suggests she was receiving other funds monthly including, but not restricted to, work and child tax credits of over £400. So, I think Moneybarn carried out proportionate checks in respect of Miss S' declared income.

I will now turn to the checks Moneybarn said it undertook in respect of establishing Miss S' non-discretionary expenditure at £841.08. Moneybarn said it used data from the Office of National Statistics ("ONS") to do this. And taking everything into account, including what Moneybarn says its credit file check 'returned', I think this was reasonable and proportionate.

However, just because I think Moneybarn carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information Moneybarn collected, or was likely to have collected, showed or would have shown. And having done so I'm satisfied that Moneybarn didn't act unfairly when approving Miss S' application.

For the sake of completeness, and notwithstanding that I'm satisfied that Moneybarn carried out proportionate checks and made a fair lending decision, I've considered what might have come to light had Moneybarn undertaken further checks or enquiries into Miss S' expenditure rather than relying on data provided by the ONS. And having considered everything Miss S has provided our service, including bank statements, I'm not persuaded further checks or enquiries on the part of Moneybarn would have resulted, or should have resulted, in it deciding to decline Miss S' application rather than approving it.

I appreciate that Miss S might have significant financial issues that started several months after she took the finance out. But I'm required to decide if Moneybarn was reasonable when it made its decision to provide the finance in September 2019. And as I've explained, I think there was evidence at that time that this finance was affordable for Miss S. However, I would remind Moneybarn of its obligations to treat Miss S fairly and with due consideration and forbearance in respect of any sums it believes it's entitled to seek the recovery of from her in respect of the agreement subject to this complaint.

In summary, and I appreciate Miss S will be disappointed, I don't think Moneybarn has done anything wrong and I'm not asking it to take any further action.

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 16 June 2023.

Peter Cook
Ombudsman