

The complaint

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

What happened

In July 2020 Miss R acquired a used car costing £7,848 financed by an agreement from Moneybarn.

Under the terms of the agreement, everything else being equal, Miss R undertook to make 59 monthly repayments of £240.83. The total repayable under the agreement was £14,208.97 at an APR of 30.4%.

Miss R says that Moneybarn didn't complete adequate affordability checks, for example requesting from her wage slips, bank statements, details of her existing credit commitments and by the undertaking of an income and expenditure analysis. 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 R's current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Miss R's declared net monthly income of £2,390 (with a credit reference agency)
- the use of statistical data from the Office for National Statistics ("ONS") to estimate Miss R'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 R's ongoing monthly borrowing commitments

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

- Miss R's existing borrowing was moderate
- Miss R had one or more defaults, but the latest of these was more than eight months old
- payments were being made by Miss R towards all defaults registered against her
- Miss R had no outstanding county court judgements registered against her
- Miss R had one satisfied county judgement registered against her that was 58 months old
- Miss R hadn't been declared insolvent
- Miss R's net monthly income was £2,390 as declared by her
- Miss R's non-discretionary expenditure had been estimated at £963.36
- Miss R's current borrowing commitments were £497 a month
- Miss R had a disposable income of £929.64 (being £2,390 less £963.36 less £497)
- its lending, at a monthly cost of £240.83, equated to 25.91% of Miss R's calculated net disposable income

Moneybarn also pointed out that Miss R signed to say that her net monthly income was no less than £2,390 and her non-discretionary expenditure was no more than £963.36.

One of our investigator's looked into Miss R's complaint and concluded it shouldn't be upheld. He said that in all the circumstances Moneybarn could and should have undertaken further checks into Miss R's financial position and personal circumstances before it agreed to lend. But he wasn't persuaded, based on what Miss R had provided our service about her financial position and personal circumstances in, and immediately prior to, July 2020 that further (and proportionate) checks by Moneybarn would have, or should have, caused it not to lend.

Miss R 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 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 R. 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 R.

Miss R has provided our service with bank statements for the three month period prior to Moneybarn agreeing to lend.

I know Miss R feels strongly about this particular point, but it's not my role to say what further (and proportionate) checks Moneybarn should have undertaken. But had it asked Miss R for bank statements covering the three month period prior to late-July 2020 and assuming Miss R would have supplied Moneybarn with exactly what she has provided our service it's my understanding that Moneybarn would have discovered (amongst other things) that:

- Miss R received credits in respect of salary, tax credits and child benefit of approximately £2,400 a month, in line with the £2,390 she said she received each month
- Miss R received other credits of approximately £1,400 a month
- Miss R had what could be described as non-discretionary expenditure of approximately £1,750 a month

And in my view this discovery wouldn't have caused Moneybarn, nor should it have caused Moneybarn, to decide not to lend to Miss R.

For the sake of completeness, I would add that I've reviewed a copy of Miss R's credit file (dated May 2022). I'm satisfied that this shows that in July 2020 Miss R had a small number of defaults (for relatively small amounts) and a small number of accounts in a small amount of arrears. But although I'm satisfied, like the investigator, this should have prompted Moneybarn to have undertaken further (and proportionate checks) into Miss R's financial position and personal circumstances before it agreed to lend, I can confirm that I'm not persuaded that what Miss R's credit report was likely to have been showing in July 2020 was sufficient, in itself, for Moneybarn to have concluded it shouldn't lend.

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 R in July 2020.

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 R to accept or reject my decision before 22 June 2023.

Peter Cook
Ombudsman