

The complaint

Mr S complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement ("agreement") he couldn't afford to repay and about the sum it achieved for 'his' car (a year later) when it was sold at auction.

What happened

In July 2018 Mr S acquired a used car costing £6,795.00 financed by an agreement from Moneybarn.

Under the terms of the agreement, everything else being equal, Mr S undertook to make an advance payment of £400.00 followed by 59 monthly repayments of £257.81. The total repayable under the agreement was £15,610.79 at an APR of 51.2%.

Mr S made the advance payment of £400.00 and four monthly repayments of £257.81 under the agreement, but nothing further.

In October 2018 Mr S complained about the quality of the car, a complaint that Moneybarn and then our service didn't uphold.

In April 2019 Moneybarn issued Mr S with a default notice.

In May 2019 Moneybarn terminated the agreement and took possession of the car.

In June 2019 the car was sold by Moneybarn at auction for £3,600.

In April 2022 Mr S complained to Moneybarn that it should have never agreed (on the grounds of affordability) to lend to him in July 2018 and about the sum it achieved on the sale of the car (at auction). In respect of the former Mr S said (amongst other things) it should have been apparent to Moneybarn that when he applied for finance he was in arrears with a company that I will call "P", P being a subsidiary of the same parent company as Moneybarn.

In May 2022 Moneybarn issued Mr S with a final response letter ("FRL").

Under cover of this FRL Moneybarn, in respect of its decision to lend in July 2018, said it had performed several different checks before agreeing to do so which included (amongst other things):

- a full credit search (with a credit reference agency) which provided details of Mr S' current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Mr S' declared net monthly income of £1,767.58 to two payslips

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

- Mr S' existing borrowing levels were within its lending criteria

- there were no recent missed payments recorded
- Mr S had no county court judgements registered against him
- Mr S hadn't been declared insolvent
- Mr S could afford (as a maximum) £441.89 a month against a proposed monthly payment of £257.81

Moneybarn also pointed out that Mr S signed to say that repayments of £257.81 a month were affordable, and he didn't envisage anything (over the term of the agreement) that would prevent him from making (all) the repayments on time. It also said that it wouldn't have been aware of any arrears Mr S might have had with P simply by virtue of the fact that it and P are subsidiaries of the same parent company. However, if any arrears had been reported by P to the credit reference agency it used then this fact would have been taken into account by it before it agreed to lend.

Under cover of this FRL Moneybarn, in respect of the sum it achieved on the sale of the car (at auction), said it was satisfied a fair and reasonable price was achieved for the car.

In May 2022 Moneybarn had recorded in its books an outstanding sum due and owing from Mr S (under the agreement) of £10,656.55 broken down as follows:

| | |
|-------------------------------------|-------------|
| cash price of the car | £6,795.00 |
| interest | £8,815.79 |
| sub-total | £15,610.79 |
| payments made | (£1,431.24) |
| sub-total | £14,179.55 |
| auction fees | £52.00 |
| damage/repairs | £25.00 |
| sale proceeds of the car at auction | (£3,600.00) |
| total | £10,656.55 |

One of our adjudicators looked into Mr 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 Mr S' financial position and personal circumstances before it agreed to lend. But he wasn't persuaded, based on what Mr S had provided our service about his financial position and personal circumstances prior to July 2018 that further (and proportionate) checks by Moneybarn would have, or should have, caused it not to lend.

The adjudicator also concluded that Moneybarn achieved a fair and reasonable price for the car when it sold it at auction.

Mr S didn't agree and so his complaint has been passed to me for review and decision. In asking for his complaint to be considered by me (and a decision issued on it) Mr S said:

- he had provided evidence to show Moneybarn shouldn't have lent to him
- he was in arrears with P at the material time and it later went on to conclude it shouldn't have lent to him
- Moneybarn advised him that it would get 90% of the value of the car back at auction but got only 50% back

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 adjudicator that in the particular circumstances of this case Moneybarn didn't carry out proportionate checks before it agreed to lend to Mr 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 Mr S.

Mr S has provided our service with bank statements (for two accounts) for the period March 2018 to May 2018. These statements don't show running balances but do show debits out of, and credits into, the accounts.

Now it's not my role to say what further (and proportionate) checks Moneybarn should have undertaken. But had it asked Mr S for bank statements and assuming Mr S would have supplied Moneybarn with exactly what he has provided our service I'm satisfied that Moneybarn wouldn't have had any cause to conclude that its proposed lending might be unaffordable for Mr S.

I've reviewed the various extracts Mr S has supplied our service of his credit file for April 2023. Now I appreciate this isn't particularly useful in forming a view as to what Moneybarn would have seen when it undertook its credit search in July 2018. But I've seen nothing in these extracts that, in themselves, should have, in my view, prompted Moneybarn to have concluded it shouldn't lend.

Finally, and for the sake of completeness, I would add that I agree with Moneybarn that it wouldn't have been party to what Mr S' says was arrears on an agreement he had with P by virtue of the fact that it and P are subsidiaries of the same parent company. And based on what has been said and provided by the parties, I can't reasonably conclude what would have been recorded by P with any of the credit reference agencies in July 2018. But even if P had registered arrears information with one or more third party credit reference agencies this doesn't mean, in itself, Moneybarn shouldn't have lent, especially when the very market Moneybarn operates in is taken into account.

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 Mr S in July 2018.

Mr S says that Moneybarn achieved less at auction for the car than it was possibly worth, or less than it advised him it might reasonably achieve. But I've seen nothing that would lead me to conclude that Moneybarn ever advised Mr S what it might achieve for the car at auction or that it was sold for anything other than for a fair and reasonable price.

I don't know what Mr S' current circumstances are. But I would remind Moneybarn of its obligations to treat Mr S fairly and with due consideration and forbearance in the event he is in financial difficulties and in the event it wishes to seek recovery of any sum it has recorded in its books as due and owing to it from Mr S.

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 Mr S to accept or reject my decision before 12 July 2023.

Peter Cook
Ombudsman