

The complaint

Mr M complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement ("agreement") he couldn't afford to repay.

What happened

In August 2017 Mr M acquired a used car costing £11,200 financed by an agreement from Moneybarn.

Under the terms of the agreement, everything else being equal, Mr M undertook to make 1 advance payment of £1,785 followed by 59 monthly repayments of £302.90. The total repayable under the agreement was £19,656.10 at an APR of 33.6%.

Mr M says that Moneybarn didn't complete adequate affordability checks before agreeing to lend to him. He 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 Mr M's current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Mr M's declared net monthly income of £1,213.62 to two payslips provided by him
- estimating Mr M's non-discretionary expenditure

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

- Mr M's existing borrowing was within its lending criteria
- although Mr M had a default registered against his name, this was 51 months old
- although Mr M had a county court judgement ("CCJ") against his name, this was 10 months old
- Mr M hadn't been declared insolvent
- Mr M could afford a monthly repayment of £303.40

One of our investigator's looked into Mr M's complaint and concluded it shouldn't be upheld.

She said that Moneybarn could and should have undertaken further checks into Mr M's financial position and personal circumstances before it agreed to lend. But she went on to say that she wasn't persuaded that further (and proportionate) checks by Moneybarn into Mr M's financial position and personal circumstances would have caused it, or should have caused it, to conclude that it shouldn't (on the grounds of affordability) lend.

Mr M didn't agree with the investigators view so his 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.

Based on what has been said and submitted I'm satisfied that Moneybarn did enough to verify Mr M's declared net monthly income of £1,216.62, this being by asking for, and having regards to, two payslips supplied to it by Mr M.

Moneybarn hasn't provided a copy of the credit check it completed with one of the credit reference agencies. But based on what Moneybarn has said its credit check 'uncovered', what a recent credit report provided by Mr M shows, and how much Mr M was looking to borrow, at what cost and over what term, I can confirm that I agree with the investigator that Moneybarn should have undertaken further (and proportionate) checks into Mr M's financial position and personal circumstances, in particular with regards to his monthly expenditure, before it agreed to lend.

One of the ways that Moneybarn could have verified Mr M's expenditure was by reviewing bank statements and/or by completing an income and expenditure form. While Moneybarn wasn't required to do either, I've reviewed three months of Mr M's bank statements because I think this gives me a good indication of what Moneybarn would likely have found out had it completed further and proportionate checks.

This information shows that Mr M was, in the main, operating his account in credit. It also shows that although Mr M was spending his net salary (and other credits into his account) each month most of this expenditure appears to have gone on what could be best described as discretionary expenditure with only £200 or so going on what could be best described as non-discretionary expenditure.

So as the repayments under the agreement were for around £300, I don't find that I can say that had further checks taken place that the agreement would have been found to be unaffordable. And this remains the case even if I was to accept that Mr M was paying £400 to family for rent, food and bills in addition to the £200 calculated and noted by me above.

For the sake of completeness, I would add that I've considered the information Mr M has provided our service following the investigator's view on his complaint. But although this information might suggest that Mr M fell into financial difficulties shortly after taking out the borrowing that he did, it doesn't in itself show the borrowing was unaffordable at the time it was approved.

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 M to accept or reject my decision before 28 June 2023.

Peter Cook
Ombudsman