

## **The complaint**

Mr H complains, via an appointed representative, that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him two conditional sale agreements he couldn't afford to repay.

## **What happened**

In May 2016 Mr H acquired a used car costing £4,200 financed by an agreement (agreement 1) from Moneybarn.

Under the terms of agreement 1, everything else being equal, Mr H undertook to make 45 monthly repayments of £179.91. The total repayable under agreement 1 was £8,095.95 at an APR of 47.3%.

Mr H made all the repayments required of him under agreement 1 (albeit one was paid late due to an oversight) before he took the decision to settle the agreement in June 2017.

In July 2020 Mr H acquired a used car costing £7,499 financed by an agreement (agreement 2) from Moneybarn.

Under the terms of agreement 2, everything else being equal, Mr H undertook to make an advance payment of £1,800 followed by 59 monthly repayments of £192.15. The total repayable under agreement 2 was £13,136.85 at an APR of 36.9%.

Mr H, as I understand it, has made all the repayments required of him under agreement 2.

Mr H says that Moneybarn didn't complete adequate affordability checks. He says if it had, it would have seen the agreements weren't affordable.

Moneybarn didn't agree. In respect of agreement 1 it said it believed Mr H had complained too late for our service to be able to investigate an affordability complaint about it. But even if we disagreed 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 H's current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Mr H's declared net monthly income of £1,728.01 against two pay slips (provided by him)

and from these checks it was able to establish:

- Mr H's existing borrowing was low
- Mr H had no missed repayments recorded against him

- Mr H had one or more defaults, but the latest of these was more than 14 months old
- Mr H had no county court judgements registered against him
- Mr H hadn't been declared insolvent
- Mr H had a disposable income of £432 from which to meet the monthly repayment of £179.91

Moneybarn also pointed out that Mr H signed to say that the monthly repayment of £179.91 was affordable and he envisaged nothing that would prevent him from meeting each monthly repayment required of him under the agreement.

In respect of agreement 2 Moneybarn 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 H's current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Mr H's declared net monthly income of £1,383.06 against four pay slips (provided by him)
- the use of statistical data from the Office for National Statistics ("ONS") to estimate Mr H'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 Mr H's ongoing monthly borrowing commitments

and from these checks it was able to establish:

- Mr H's existing borrowing was low
- Mr H had one or more defaults, but the latest of these was more than 9 months old
- payments were being made by Mr H towards all defaults registered against him
- Mr H had one county court judgement registered against him, but this had been recorded as settled
- Mr H hadn't been declared insolvent
- Mr H's non-discretionary expenditure had been estimated at £783.43
- Mr H had a disposable income of £559.76 being £1,383.06 less £783.43 less £39.87 (an additional allowance to allow for variations in any estimates made)
- its lending, at a monthly cost of £192.15, equated to 34.33% of Mr H's calculated net disposable income

Moneybarn also pointed out that Mr H signed to say that his net monthly income was no less than £1,383.06 and his non-discretionary expenditure was no more than £783.43.

One of our investigator's looked into Mr H's complaint.

- In respect of agreement 1 she came to the view that our service had no power to consider Mr H's complaint because this had been referred to our service too late, it being referred more than six years of the event being complained about and more than three years from the point in time Mr H ought to have known he might have grounds to complain to our service.
- In respect of agreement 2 she came to the view that Moneybarn had carried out reasonable and proportionate checks and its decision to lend was fair.

- Although Mr H had said on his complaint form that he didn't realise that Moneybarn may have paid a commission to the supplying dealerships she wasn't in a position to express a view on this point on the grounds this particular point appears to have never been raised with Moneybarn or addressed by it.

Mr H didn't agree and 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.

Mr H's appointed representative confirmed to our service that it accepted that we had no power to consider Mr H's complaint in respect of agreement 1 (on the grounds of time) and that "*the commission element...[had] been resolved*". So, this means that all I'm required to decide in this case is whether Moneybarn acted responsibly in granting Mr H agreement 2.

Moneybarn and Mr H'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.

The investigator came to the view that Moneybarn carried out proportionate checks before it agreed to lend to Mr H. Now I don't necessarily agree. But I need make no finding on this point because I'm satisfied that further checks by Moneybarn, for example by the undertaking a review of Mr H's bank statements, wouldn't have caused it to conclude, or shouldn't have caused it to conclude, it shouldn't lend to him.

I've reviewed Mr H's bank statements for the period 1 April to 30 June 2020. These show that Mr H was never overdrawn and had no payments (such as standing orders and direct debits) refused by his bank.

They also show that after deducting debits that could fairly and reasonably be described as non-discretionary expenditure (rather than discretionary) from his account credits he had sufficient surplus income to meet the monthly agreement payment of £192.15.

I appreciate Mr H will be disappointed but taking everything into consideration I'm satisfied that Moneybarn made a fair lending decision (in respect of agreement 2) and it need do nothing in respect of it.

### **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 H to accept or reject my decision before 10 July 2023.

Peter Cook  
**Ombudsman**