

The complaint

Mr E, who is represented by a third party, complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement ("agreement") he couldn't afford to repay.

What happened

In March 2018 Mr E acquired a used car costing £22,900 financed by an agreement from Moneybarn.

Under the terms of the agreement, everything else being equal, Mr E undertook to make 59 monthly repayments of £699.32. The total repayable under the agreement was £41,259.88 at an APR of 30.1%.

- In July 2018 Moneybarn agreed a repayment plan with Mr E.
- In September 2018 Moneybarn agreed a repayment plan with Mr E.
- In October 2018 Moneybarn sent Mr E an arrears notice.
- In November 2018 Moneybarn sent Mr E an arrears notice.
- In November 2018 Moneybarn completed an income and expenditure form with Mr E and agreed a repayment plan with him.
- In December 2018 Moneybarn sent Mr E a payment plan cancelation notice.
- In December 2018 Moneybarn sent Mr E an arrears notice.
- In January 2019 Moneybarn sent Mr E a default notice.
- In February 2019 Moneybarn sent Mr E an arrears notice.
- In February 2019 Moneybarn sent Mr E a termination notice.
- In February 2019 Moneybarn sent Mr E a settlement figure.
- In March 2019 Moneybarn sent Mr E an advice notice to say the car had now been inspected, costs of £310.00 were payable and the car would (shortly) be sold at auction.
- In April 2019 Moneybarn, following the sale of the car at auction, sent Mr E a final balance notice.
- In January 2022 Mr E complained to Moneybarn that it had acted irresponsibly in agreeing to lend to him in March 2018.

- In March 2022 Moneybarn issued Mr E with a final response letter (“FRL”).
- In July 2022 Moneybarn sent Mr E a statement of account. This showed that it had a debt recorded in its books of £24,389.60 due and owing from Mr E broken down as follows:

○ sum advanced	£22,900.00	
○ interest	£18,359.88	
○ sub-total	£41,259.88	
○ repayments made	(£2,797.28)	[4 x £699.32]
○ sub-total	£38,462.60	
○ car recovery charge	£285.00	
○ auction fees	£117.00	
○ damage/repair charges	£25.00	
○ sub-total	£38,889.60	
○ disposal proceeds	(£14,500.00)	
○ total	£24,389.60	

Under cover of its FRL dated March 2022 Moneybarn said it didn’t agree that it had acted irresponsibly in agreeing to lend to Mr E in March 2018 and that 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 E’s current borrowing levels and repayment history (including any arrears and defaults)
- an independent check of Mr E’s recorded net monthly income of £3,928.18 to bank statements supplied by him (covering the period 1 January 2018 to 12 March 2018)
- a calculation to establish that a monthly repayment of £699.32 was affordable

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

- Mr E’s existing borrowing was extremely low with one active credit commitment with an outstanding balance of £27
- Mr E had no recent missed payments recorded against him
- Mr E had a “*strong ability to meet [his] credit commitments*”
- Mr E had one or more defaults, but the latest of these was more than 26 months old
- Mr E had one county court judgement registered against him, but this was more than 24 months old
- a monthly repayment of £699.32 was less than 20% of Mr E’s recorded and verified net monthly income of £3,928.18

Moneybarn also pointed out that Mr E signed to say that the monthly repayments were affordable (for the entire agreement term) and that he didn’t envisage anything that would prevent him from making all repayments required of him on time.

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

In summary he said that in all the circumstances Moneybarn had carried out proportionate checks (before agreeing to lend) and its lending decision was fair.

Mr E didn’t agree and as well as reiterating his previous submissions he said that in March 2018 he hadn’t long been in his job (and was still on probation) and that his bank statements (prior to March 2018) show he was relying on his overdraft.

The investigator considered Mr E's response to his view but wasn't persuaded to change his mind. And because the investigator wasn't persuaded to change his mind Mr E's 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 Mr E's 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.

Moneybarn hasn't provided a copy of the credit search it undertook. But based on a copy credit file provided by Mr E (dated January 2022) I'm satisfied that what Moneybarn says its credit search 'uncovered' can be relied upon, at least in all material respects. For the avoidance of doubt, and I appreciate some information recorded in March 2018 (and seen by Moneybarn) might not now be showing in the credit report dated January 2022 (provided by Mr E), Mr E had the following information recorded with a credit reference agency (before March 2018) that could be viewed as 'adverse':

- | | | |
|-----------------|----------|--|
| ○ August 2012 | £unknown | 6 months arrears but debt settled in December 2017 |
| ○ January 2015 | £unknown | 1 month arrears but debt settled in February 2018 |
| ○ February 2016 | £931 | Defaulted |
| ○ April 2016 | £209 | Defaulted |
| ○ April 2016 | £991 | CCJ but satisfied in July 2016 |

Given what I say above and given that Moneybarn (before it agreed to lend) had sight of Mr E's bank statements for the period 1 January 2018 to 12 March 2018 I, like the investigator, am satisfied that Moneybarn undertook proportionate checks into Mr E's personal and financial circumstances before agreeing to lend to him. And for the avoidance of doubt, I can confirm that I'm satisfied that Moneybarn didn't need to request sight of bank statements (from Mr E) going back further than 1 January 2018.

So, what I now need to decide is did Moneybarn, armed with what it says its credit search 'uncovered' and what Mr E's bank statements for the period 1 January 2018 to 12 March 2018 show, make a fair lending decision.

I appreciate Mr E's strength of feeling on this particular point but having considered everything that Moneybarn had access to, before it took the decision to lend to Mr E, I can confirm I'm simply not persuaded that it made an unfair lending decision and that it did nothing wrong in concluding a monthly repayment of £699.32 was affordable for Mr E.

And for the sake of completeness, I would add that although Mr E may have (for a few days) between 1 January 2018 and 12 March 2018 gone marginally over his arranged overdraft of £250.00 and had one direct debit 'refused', I'm not persuaded that this would have been enough – in itself – for Moneybarn to have concluded that it shouldn't have lent. I'm also satisfied that the fact that Mr E had only just started his job wouldn't have been, or shouldn't have been, grounds for Moneybarn to have concluded it shouldn't lend.

So, in summary, I'm satisfied that Moneybarn undertook proportionate checks before it agreed to lend to Mr E and its decision to lend wasn't unfair.

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 E to accept or reject my decision before 20 July 2023.

Peter Cook
Ombudsman