

The complaint

Mr J believes Moneybarn No.1 Limited acted irresponsibly by agreeing a conditional sale agreement he'd applied for.

Mr J is being represented in this complaint by Company I. For ease of reference, my decision will refer to any actions or comments by either Mr J or Company I as being by Mr J.

What happened

In April 2021, Mr J was supplied with a used car through a conditional sale agreement with Moneybarn. The agreement was for £4,795 over 47 months, with monthly repayments of £179.55.

Mr J has complained that Moneybarn didn't act responsibly when approving the finance. He's said that he had a poor credit history, struggled financially during the agreement, and his income was insufficient to cover all his financial obligations. He thinks that, had Moneybarn done a detailed review of his bank statements and his income and expenditure when they assessed his application, then they wouldn't have approved it.

Moneybarn considered this complaint, but they thought they'd done adequate checks, which showed that Mr J could afford the payments. And they didn't uphold his complaint.

Mr J wasn't happy with this, so he brought his complaint to us for investigation.

Moneybarn said they'd checked Mr J's credit file, which verified his income, and they estimated his other outgoings using data from the Office for National Statistics (ONS). And this showed the finance was affordable to Mr J. They also said that Mr J had signed a declaration to confirm his net monthly income was no less than £1,662, and his non-discretionary monthly income was no more than £1,158.

Our investigator said that Moneybarn hadn't been able to evidence the checks they said they'd done, so he couldn't say if they were reasonable and proportionate. So, he considered what Moneybarn would've likely seen had reasonable and proportionate checks been done. And from this he didn't think Moneybarn had done anything wrong by approving the finance.

Mr J didn't agree with the investigator. He didn't think it was fair to say he had a continual balance of more than £700 in his bank statements, as this was his rent payment. And, if this was discounted, then his actual balance would be less than £2. Mr J also provided additional bank statements which he says shows the finance wasn't affordable to him.

Mr J also said that his salary was £1,657 a month, with committed expenditure of £1,158 and non-committed spending of between £490 and £540 a month. Which left him with *"minimal remaining income each month [because of] very poor spending habits."*

Because Mr J didn't agree with the investigator, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr J would be able to repay the credit in a sustainable way?
 - a. if so, did Moneybarn make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr J could sustainably repay the borrowing?
2. Did Moneybarn act unfairly or unreasonably in some other way?

And, if I determine that Moneybarn didn't act fairly and reasonably when considering Mr J's application, I'll also consider what I think is a fair way to put things right.

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr J would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for; as well as the borrowers' personal circumstances at the time of application.

While Moneybarn have explained in detail the checks they've done, and what these showed, they haven't provided any actual evidence of the checks themselves. So, without a copy of these checks, I can't be satisfied that what was actually carried out was reasonable and proportionate, and that no further checks were required. As such, I've gone on to consider what Moneybarn would likely have found had reasonable and proportionate checks been carried out.

Would reasonable and proportionate checks have shown that Mr J would be able to repay the credit in a sustainable way?

I've seen a copy of Mr J's credit file, dated 18 February 2022. While this is dated after the finance was taken out, I'm satisfied that the historic data will give a good indication as to what Moneybarn would likely have seen at the time.

The credit file shows that, as of March 2021, Mr J had no active credit, his phone and insurance payments were up to date, and his bank accounts were all conducted within their overdraft limits. It also showed that Mr J had had two previous short-term high-interest loans, otherwise known as payday loans, but these were repaid in 2018 and 2020 respectively.

However, the credit file also showed that Mr J had ten historic defaults. While the presence of defaults is not a reason to automatically decline a finance application, as different lenders cater to consumers with different financial needs, I'd expect these to be factored into any affordability calculations.

Of the ten defaults, two were repaid by March 2021, and Mr J was contributing £15 a month to two of the others. The remaining defaults had an outstanding balance of around £13,000.

Mr J has also provided bank statements for the period 1 January 2021 to 30 April 2021. As the finance agreement came into force on 9 April 2021, and while I wouldn't necessarily have expected Moneybarn to ask for bank statements, I think the bank statements for the three months prior to the agreement give a good indication of what Moneybarn would likely have discovered if they'd asked about Mr J's income and expenditure at the time.

The bank statements show Mr J received a regular income of £1,663 a month, and that his regular committed outgoings averaged £303 a month. This includes council tax, some utility bills, phone and broadband payments, payments to the two defaults, as well as subscriptions to entertainment companies. Mr J has also confirmed that his rent payment was £700 a month. Allowing £100 for the missing utility bills, and £15 a month to each default that wasn't being paid, this brings his committed expenditure to £1,193.

I've noted these are similar figures to the £1,657 income and £1,158 committed expenditure Mr J says was the case at the time. So, I've calculated Mr J's disposable income to be £470 a month, while he says it was £499.

Mr J has also provided copies of statements for a number of other accounts he had, for the same period. Each of these accounts had an equal amount transferred in from, and back into, his main account. And they don't show any additional committed expenditure.

Mr J has referred to his partner, and he's not said his was the sole income. So, with a reasonably assumed joint income to contribute to things like food, petrol, and clothing; I'm satisfied that reasonable and proportionate checks showed Mr J had sufficient income to support the £179.55 payment to Moneybarn.

I have taken Mr J's comments that he had "*very poor spending habits*" into consideration, and the bank statements show regular transactions to take away food companies, fast food restaurants etc. It's not for financial businesses to tell consumers where and when they can spend their disposable income, and it was Mr J's choice to spend his how he wanted. However, as these payments were non-committed expenditure, I don't think that Moneybarn should've deducted these as part of any affordability calculation.

As such, and while I appreciate this will come as a disappointment to Mr J, I'm satisfied that, had Moneybarn carried out reasonable and proportionate checks, then there's no valid reason why they wouldn't have found the finance to be sustainably affordable. And it's for this reason why I won't be asking them to refund all or part of the payments Mr J paid, or of any interest and fees he may have been charged.

Did Moneybarn act unfairly or unreasonably in some other way?

I haven't seen anything else to make me think Moneybarn acted unfairly or unreasonably in some other way.

My final decision

For the reasons explained above I don't uphold Mr J's complaint about Moneybarn No.1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 21 July 2023.

Andrew Burford

Ombudsman