

## **The complaint**

Miss F, who is represented by a third party, complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted her a conditional sale agreement ("agreement") she couldn't afford to repay.

## **What happened**

In March 2018, Miss F acquired a used car financed by an agreement from Moneybarn. Under the terms of the agreement, everything else being equal, Miss F undertook to make an advance payment of £400.00 followed by 59 monthly repayments of £229.81. The total repayable under the agreement was £13,958.79 at an APR of 52.9%.

Miss F says that Moneybarn didn't complete adequate affordability checks. She says if it had, it would have seen the agreement wasn't affordable. Moneybarn didn't agree. It said that it carried a search of Miss F's credit file, checked her income against two recent payslips and carried out an affordability calculation, all of which demonstrated Miss F had:

- a monthly (net) income of £1,070.26
- existing borrowing which was within its lending criteria
- no recent missed payments
- a strong ability to meet her credit commitments
- defaulted on previous borrowing, but the most recent default was 46 months old
- no CCJ's registered against her
- no insolvency proceedings pending
- the ability to pay £267.50 a month against a proposed payment of £229.81

Moneybarn also pointed out that Miss F signed to say that the payments under the agreement were affordable and that she didn't envisage anything that would prevent her from making all the required payments on time.

One of our adjudicator's looked into Miss F's complaint and concluded it shouldn't be upheld. He thought Moneybarn didn't act unfairly or unreasonably in approving the finance.

Miss F didn't agree and so her 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 Miss F'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.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Miss F about her income. I say this because it verified her income by checking two recent payslips. But like the adjudicator, and for the same reasons, I think that it would have been proportionate for Moneybarn to have obtained more evidence and information from Miss F about her expenditure.

One of the ways that Moneybarn could have verified Miss F'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 Miss F's bank statements for the period 12 December 2017 to 14 March 2018. I think this gives me a good indication of what Moneybarn would likely have found out had it completed proportionate checks.

Like the adjudicator said in his view, Miss F's bank statements show an income of more than £1,070.26 and very little by way of what could be described as non-discretionary expenditure. So, in my view, further checks by Moneybarn wouldn't have, nor should it have, caused it to conclude it shouldn't lend.

Moneybarn hasn't provided a copy of the credit check it completed. So, like the adjudicator and for the sake of completeness I've considered the content of the credit report Miss F has provided our service dated 1 January 2023. Now I appreciate the limitations of relying on a credit report dated some five years after March 2018, but this report doesn't lead me to conclude that what Moneybarn says its credit check 'uncovered' in March 2018 can't be relied upon.

The investigator noted that Miss F's supplied credit report has a default recorded dated March 2017. However, I think this might be a reporting error given that the status history for this line of credit shows a default date of September 2018 with no status being reported prior to this date. But even if I'm wrong on this point I don't think this, in itself, would have been grounds for Moneybarn to conclude it shouldn't lend, especially given the market in which it operates.

I appreciate Miss F will be disappointed but taking everything into account I'm satisfied that Moneybarn didn't act unfairly in approving her finance application. However, I would remind it of its obligation to treat Miss F – if she is in financial difficulties – fairly and with due consideration and forbearance going forward.

### **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 Miss F to accept or reject my decision before 3 August 2023.

Peter Cook  
**Ombudsman**