

The complaint

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

What happened

In May 2022, Mr M acquired a used car financed by a conditional sale agreement from Moneybarn. Mr M was required to make 60 monthly repayments of £248.71. The total repayable under the agreement was £14,673.89.

In August 2022, Mr M contacted Moneybarn to say he could no longer afford the repayments he was required to make in order to keep the car. The agreement was terminated in May 2023.

Mr M says that Moneybarn didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Moneybarn didn't agree. It said that it carried out a thorough assessment which included verifying his income and running credit checks.

Our adjudicator didn't recommend the complaint be upheld. She thought Moneybarn didn't act unfairly or unreasonably by approving the finance agreement.

Mr M didn't agree and suggested that Moneybarn knowingly accepted him when it knew the agreement would be unaffordable.

The case has therefore been passed to me for 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.

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.

Moneybarn asked Mr M to confirm he'd been discharged from an Individual Voluntary Arrangement ('IVA') he'd previously and I've seen it was necessary to obtain proof of this before he was granted the finance. I don't think it was unreasonable for Moneybarn to insist on this in order to be assured that Mr M would be able to pay what was a new and significant credit commitment over long period. Mr M was discharged from the IVA in August 2021. But I've also seen that Mr M had a default registered against him around 10 months before the agreement in relation to a mobile phone account. I've also seen that Moneybarn also used statistical data, alongside the credit checks, as a way of estimating Mr M's non-discretionary spending. In these circumstances, I think on balance it would have been reasonable and proportionate for Moneybarn to have taken further steps so as to be assured that Mr M

would have been able to sustainably repay the borrowing. Moneybarn could have done this by gathering more detail about Mr M's financial circumstances before deciding to agree the lending, such as verifying his actual expenditure rather than relying on an estimate based on statistical data.

I can't be certain what Mr M would have told Moneybarn had it asked about his regular expenditure. I don't think Moneybarn needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Mr M's bank statements to get an indication of what would most likely have been disclosed.

I've reviewed the bank statements Mr M provided us with from the months before he made the application. I broadly agree that Mr M had a monthly income that averaged out at around £1,600 per month. And I've noted that Mr M was living at home at the time and, whilst he was making contributions to his parents towards living costs, his household expenses were lower than they would have been. I've also seen that Mr M was occasionally receiving payments from his family when his bank balance was depleted. But I've kept in mind that his typical monthly outgoings were around £750. Taking these figures into account, I agree it appears to show the agreement was affordable to Mr M. I'm therefore not persuaded that Moneybarn acted unfairly in approving the finance.

Mr M has also told us about difficulties he experienced when he changed his mind about the car he'd chosen after his finance had been approved. When he contacted them, Moneybarn advised he would need to speak to the car dealership and/or the broker he had been using. I see that Moneybarn also explained his options about ending the agreement once it had started. I think that was fair and reasonable, given that Mr M had had the opportunity to read the terms of the agreement before he signed it, as well as a separate explanatory document.

It follows that I think Moneybarn made a fair lending decision and I therefore won't be upholding this complaint.

My final decision

For the reasons I've given above, 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 15 August 2023.

Michael Goldberg
Ombudsman