

## **The complaint**

Mr H complains that Moneybarn No. 1 Limited ("Moneybarn") provided him with lending which was unaffordable.

Mr H's complaint has been brought on his behalf by a CMC which I'll refer to as T. My references to submissions made by Mr H include those submitted on his behalf.

## **What happened**

Mr H entered into a conditional sale agreement with Moneybarn in June 2017 to acquire a car. The cash price was £5,995 and the total he was required to repay was £10,811.49 via 44 monthly instalments of £251.43.

Mr H paid the agreement until April 2021. Moneybarn wrote off outstanding sums owing in July 2022 and the agreement was ended.

In January 2023 Mr H complained that the agreement had been unaffordable. He highlighted that he'd been left with little to no money each month, was living in his overdraft, missing payments and struggling to meet essential bills. He said that Moneybarn hadn't asked any questions to establish whether he could sustainably repay the agreement.

Moneybarn didn't agree. It said that it had checked Mr H's credit file and asked him for evidence of his income at the outset. It also suggested that Mr H's ability to repay the agreement could've been impacted due to ill health which had affected his ability to work.

Our investigator didn't uphold the complaint. They weren't persuaded that Moneybarn had carried out a proportionate check of Mr H's ability to repay the agreement. But they ultimately concluded that if it had asked further questions, it likely would've reached the same lending decision because it seemed that Mr H had sufficient disposable income to sustainably meet the repayments, based on the evidence which had now been supplied.

T asked for an ombudsman's decision. It said that Mr H's bank statements showed he was quite overdrawn and possibly using that overdraft to repay his agreement. It also said Mr H had gambling transactions on his bank statements. It provided comments from Mr H about having paid his bills using cash, which accounted for a number of cash withdrawals on his bank statements.

Our investigator accepted it's possible that Mr H may have paid various bills in cash, but said they'd already taken that into account due to specific bills, such as utilities, being absent from his bank statements. Even taking into account what had now been said, our investigator maintained that the evidence showed Mr H had sufficient disposable income to sustainably repay the agreement.

## **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.

Both Moneybarn and T will be familiar with the rules, regulation and good industry practice we take into account in considering complaints about unaffordable and/ or irresponsible lending. As a result, I don't find it necessary to set it all out in this decision. In any case, information about our approach to these types of complaint can be found on our website.

At the outset I acknowledge that it's clear to see that Mr H struggled in making repayments towards this agreement. I've seen there was number of payment arrangements and arrears accrued regularly before the agreement was ultimately repaid. I can't say for sure why that's the case – there's been mention of Mr H's ability to work being affected by unfortunate ill health, which could be a major factor. But it's for me to decide whether Moneybarn gave Mr H lending which was unaffordable, based on the information it (ought to have) gathered at the time of the application.

Moneybarn has shown that before deciding to lend to Mr H it sought information about his income by way of checking three weekly payslips. From those payslips it calculated that Mr H earned £1,761.73 per month, which I've found is slightly lower than the average income the payslips show. Whilst it's not a particularly long period of assessment, I think it was a reasonable way to check Mr H's income nonetheless.

Moneybarn also says it did a credit check – which it can't provide a copy of – and that showed Mr H had a default applied seven months prior to his application. Mr H has also shown – by way of bank statements – that he'd been in an overdraft consistently in the run up to the application. I think that would've likely been represented on his credit file. I don't know for sure what else Moneybarn's check uncovered, but I think that while what I've mentioned above isn't a reason for Moneybarn not to lend to Mr H, it is an indicator of financial instability and a reason it ought to have asked further questions.

Taking this into account, I think Moneybarn ought to have done further checks into Mr H's financial position and personal circumstances to establish whether the lending it subsequently provided was affordable for him or not. It could have, for example, asked to see copies of Mr H's bank statements or asked him further questions about his expenditure. It wasn't required to ask for either of those things specifically, but they're nonetheless examples of things it could've done as part of a reasonable and proportionate check.

In his submission to this service Mr H said his monthly income was £1,550. His committed expenditure (excluding this agreement and associated costs) totalled £1,685. Mr H has also provided bank statements around the time of his applications. I think it's reasonable to rely on what's on those statements as a broad indication of Mr H's financial position at the time, and they're likely representative of what Moneybarn would've found if it had asked him further questions.

Dealing firstly with Mr H's income – as above, I think the figure Moneybarn arrived at was a reasonable one given their checks. However, I also think it's fair to say that calculating Mr H's income at the time isn't straight forward given that it seems – from his bank statements – that it wasn't consistent.

In his submission to this service Mr H says his monthly income was £1,550. However, from what I've seen it seems that his income in the months leading up to the application could have actually exceeded the figure used by Moneybarn by as much as £500 per month. In any case I've used the same, arguably conservative, figure that Moneybarn did. I've also taken into account that Mr H seemed to be in receipt of a regular benefit payment of just in excess of £100 per month.

It's fair to say that it seems Mr H's committed expenditure varied during in the run up to his application, but on average it seems that his essential living costs – rent/ mortgage

payments other essential bills such as telecommunication accounts as well as council tax for example, came to around £500 per month. Regular payments to other creditors seemed to be about £200 per month on average.

I accept that not all of the utilities I would've expected to see were present on Mr H's bank statements – in particular it seems water, electricity and gas bills aren't present. In his submission to this service Mr H said that those bills cost £200 per month. He's also subsequently said they were paid in cash. I accept this is plausible as his statements show a number of regular cash withdrawals.

And I also accept it's difficult to identify how much Mr H would've spent on food on average – it's difficult to say exactly from his bank statements. Mr H has suggested his food bills totalled in excess of £400 per month. I can't say for sure whether that's a plausible amount and whether it's a figure Moneybarn would've likely arrived at had it asked further questions of Mr H. However, even if I accept that was the case, in total it would have taken Mr H's approximate average monthly committed expenditure to around £1,300.

As I've set out above, it seems to me that if Moneybarn had carried out further checks of Mr H's financial position, it likely that it would've found that Mr H's average regular income, by way of his salary as well as any benefit payments, totalled around £1,850 per month. Taking into account his average committed expenditure, it seems he ought to have been left with minimum amount of around £550 per month. It suggests that Mr H ought to have had sufficient disposable income to able to sustainably repay the cost of the agreement, as well as any associated costs of running the car.

I accept that Mr H's bank statements show some gambling transactions. As I've explained above, there wasn't an obligation for Moneybarn to have asked to see those bank statements, so I don't think it necessarily would've seen that if it had asked further questions as I'd have expected it to. Additionally, in my view the transactions weren't of particularly high value, nor sufficiently frequent to the extent that I think it ought to have caused Moneybarn to consider that it could've impacted on Mr H's ability to repay the agreement. So, even if they had been aware of those transactions, I doubt it would've affected its lending decision.

Lastly, Mr H has recently made some comments about expenses he had at the time in respect of maintenance costs towards a shared car which was used for work. He's said the cost for this was paid in cash. Mr H hasn't been specific about how much this cost, nor do I think we've seen persuasive evidence to show it's a cost he incurred at the time of his application. Significantly, it's also not a cost that he included in the expenditure breakdown provided in his submission to this service, so I don't think I could fairly say it's a cost Moneybarn would've identified as regular committed expenditure even if it had asked further questions. I don't, therefore, think it ought to be taken into account in determining whether this agreement was affordable.

In summary, and for all of the reasons explained above, I find that if Moneybarn had completed further checks into whether or not this agreement was affordable for Mr H, it likely would've reached the same lending decision and the agreement would've gone ahead. I don't find that the lending it gave Mr H was unaffordable.

### **My final decision**

For the reasons explained above, my final decision is that 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 20 October 2023.

Stephen Trapp  
**Ombudsman**