

The complaint

Mrs H complains Moneybarn No.1 Limited trading as Moneybarn gave her a car loan that was unaffordable.

What happened

Mrs H acquired a used car in May 2019. She paid £400 to take possession of the car, and set up a conditional sale agreement with Moneybarn to cover the remaining £5,076 cost. The agreement required Mrs H to make 59 monthly payments of £199. After that she'd own the car, having paid a total of £12,163 for the car and the finance.

In November 2019 Mrs H contacted Moneybarn following a bereavement. She arranged for her payments to stop for a couple of months. When they began again in January 2020 the payments would be higher for four months to cover the shortfall.

The Covid related lockdowns of March and December 2020 then affected Mrs H's job. Moneybarn agreed three-month payment holidays with Mrs H around these times.

In July 2021 Mrs H agreed to voluntarily terminate her agreement with Moneybarn. The car was taken back and sold, and Mrs H was given a bill to bring what she'd paid up to half the total cost of the agreement – £6,082. This left her to pay £1,893. Mrs H has agreed a payment plan with Moneybarn to pay £50 per month towards this.

Through a representative, Mrs H complained to Moneybarn in January 2023 that the car finance had been unaffordable and shouldn't have been given to her. In response, Moneybarn explained they'd checked Mrs H's financial circumstances before deciding to lend to her. Specifically, Moneybarn said they'd:

- carried out a full credit search with a credit reference agency, to check Mrs H's historic handling of borrowing, and her commitments at the time of the car loan;
- independently verified Mrs H's stated monthly income of £1,344; and
- estimated Mrs H's non-discretionary spending using data from the Office for National Statistics.

Moneybarn said this showed Mrs H had £371 left per month from her salary after deductions for committed expenses – including £80 per month towards other borrowing.

Moneybarn noted Mrs H had previous issues with her borrowing including a county court judgement ("CCJ") 53 months earlier and a defaulted agreement eight months prior to their checks. Moneybarn felt the time that had passed since the CCJ and the repayments Mrs H had made towards the defaulted agreement showed it had been acceptable to lend to her.

Mrs H's representative brought the complaint to our service. One of our investigators felt the checks Moneybarn had completed were reasonable and proportionate. They weren't able to get a copy of the credit search result from the time, or Mrs H's credit file. But they felt the

information Moneybarn had described seeing supported the decision to lend to her. So our investigator didn't uphold the complaint.

Moneybarn didn't respond to that view. I've taken that to mean they agree with it and have nothing to add. Mrs H's representative felt more should have been done to consider bank statements they'd sent us from the time of the lending.

With no agreement to resolve this complaint, it's come to me for a formal 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.

I'll explain below why I've decided Moneybarn don't need to do anything more to resolve this complaint. That means I'm not upholding it.

The rules that apply to credit agreements are set out in the consumer credit sourcebook ("CONC") of the Financial Conduct Authority's handbook. Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like Moneybarn to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I'm going to consider these rules in the following stages:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mrs H would be able to sustainably repay the borrowing?
2. If they did, was their decision to then lend to Mrs H fair? If they didn't, would reasonable and proportionate checks have shown that Mrs H could sustainably repay the borrowing?

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mrs H would be able to sustainably repay the borrowing?

What's considered reasonable and proportionate will vary depending on the details of the borrowing and the borrower's individual circumstances.

Here, the borrowing was to last a relatively long time – five years. The longer span brought with it more opportunity for Mrs H's circumstances to change, affecting her ability to keep making the payments needed. So I'd expect to see Moneybarn make a thorough check of her circumstances before offering to lend to her.

The checks Moneybarn have said they did would have given them a reasonable understanding of Mrs H's circumstances at the time. I'd have liked to have seen some direct evidence of the results from these checks. Or some independent evidence that allowed me to check the description Moneybarn have given of the results they received. A copy of Mrs H's credit record could have been useful to do that. But I can see neither Moneybarn nor Mrs H's representative provided one when we asked.

Our rules allow me to continue with the information we do have. And doing so, I see Moneybarn have a reference number for the checks they completed, which goes some way to confirming a check was completed. And they've given a detailed description of the results seen. I've decided to rely on that description as a complete account of what they saw.

I've also looked over the bank statements Mrs H's representative has referred to, to see if there's any suggestion the credit record checks Moneybarn did would have shown something different to what they've said.

The statements don't show any payments towards existing credit agreements prior to the lending in late May 2019. I think it likely Mrs H had another account in fact, as there's no obvious payments towards things like housing costs or utility bills.

The statements do show the salaries Mrs H received from a couple of different jobs at the time of this lending. The total amount she received was in line with the figure Moneybarn used when considering her income. Again, this points to Moneybarn having completed reasonable checks, as they'd obtained an accurate figure for Mrs H's income.

I can accept that the expenditure figures from the ONS were a reasonable way to get a feel for whether Mrs H's income would allow her to afford the finance in this case. While it wasn't specific to Mrs H, it would allow for a general look at the affordability of the agreement.

With these details, I find Moneybarn did do enough to complete a reasonable and proportionate check about Mrs H's ability to afford this borrowing.

Was the decision to then lend to Mrs H fair?

Moneybarn have explained that their assessment of Mrs H's income and expenditure told them she'd have £371 available to pay the £199 per month needed to satisfy the agreement. I can see how they could conclude from this that she'd be able to afford the payments.

I've seen nothing that contradicts the details Moneybarn have described about Mrs H's historic borrowing, or her borrowing at the time of the loan. So I've decided it'll be reasonable for me to rely on Moneybarn's description of what they saw when completing their checks.

I can accept concerns about Mrs H having a CCJ on her record would have been reduced by it having been 53 months prior to the lending decision – a relatively long time. So I find it was proportionate that Moneybarn didn't make more checks into it before deciding to lend.

I've had our investigator ask Moneybarn and Mrs H's representative for more details about the default eight months before this agreement began. Moneybarn have confirmed they'd seen five defaulted accounts with a combined outstanding balance of £600. It's not clear what the repayment conditions were for these. So I can't see a specific payment that would have changed the positive indications about affordability gained by comparing Mrs H's income and expenditure.

With all this in mind, I've decided Moneybarn's decision to lend to Mrs H was fair and reasonable in all the circumstances that have been presented for this case.

My final decision

I've decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 9 October 2023.

Paul Mellor
Ombudsman