

The complaint

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

What happened

In May 2019 Mr H acquired a vehicle financed by a conditional sale agreement from Moneybarn. Mr H paid a deposit of £11,100 and was required to make 59 monthly repayments of £393.41 thereafter. The total amount repayable under the agreement was £34,311.19. Mr H believes Moneybarn failed to complete adequate affordability checks. Mr H says that if it had asked for bank statements it would've been clear that the agreement wasn't affordable.

Moneybarn disagreed. It said it carried out an adequate assessment which included a full credit search, including income verification. It also completed a calculation of the monthly repayment versus his total income using statistical data and information on his credit file. It said these searches showed Mr H's existing borrowing levels were moderate and within its lending criteria and that whilst he had a default on his record, the most recent was 14 months prior to the application. Moneybarn also confirmed that the searches showed Mr H had a County Court Judgment (CCJ) on his file from 37 months prior to his application. Moneybarn said the searches showed the repayments required equated to 22.88% of his estimated net disposable income.

Our Investigator didn't recommend that the complaint should be upheld. They thought Moneybarn's checks were proportionate and that it was reasonable for Moneybarn to have approved the lending on the information its checks provided.

Mr H didn't agree. He felt that his historic CCJ from 37 months before and default only 14 months prior to the finance should have triggered further checks, and that these would have shown the agreement was unaffordable. He also felt that his self-employed role meant more checks should have been completed. He asked for an Ombudsman to issue a final decision on the matter.

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.

Where evidence is incomplete, inconsistent, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr H's complaint. Moneybarn needed to ensure that it didn't lend irresponsibly as per the rules set out in the FCA's Consumer Credit Sourcebook (CONC). In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was affordable for Mr H

before providing it.

In this case, there are two overarching questions that I need to answer to fairly and reasonably decide Mr H's complaint. These two questions are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay his loan without experiencing significant adverse consequences?
 - If so, did it make a fair lending decision?
 - If not, would those checks have shown that Mr H would've been able to do so?
2. Did Moneybarn act unfairly or unreasonably in some other way?

Did Moneybarn complete a reasonable and proportionate affordability check?

Moneybarn was required to ensure it carried out adequate checks on Mr H's ability to sustainably afford the agreement. These checks had to be borrower-focussed and proportionate (see CONC 5.2A). What is considered proportionate will vary depending on the circumstances, such as (but not limited to): the total amount repayable, the size of the monthly repayments, the term of the agreement (CONC 5.2A.20 R), and the consumer's specific circumstances.

I'm satisfied that Moneybarn gathered a reasonable amount of information about Mr H and his income and circumstances prior to approving the finance. I say this because apart from a full credit check and confirmation of employment status it also completed calculations as to the affordability of the loan based on estimated disposable income and found that there was a reasonable proportion of disposable income available.

I've not been provided with the credit file check completed. But I've reviewed all of the submitted information on file and neither party has provided evidence that clearly disputes the information Moneybarn has stated was showing on Mr H's file. This includes negative data such as a default from 14 months prior and a CCJ from 37 months before. So, at the time of the application I'm satisfied on balance that the information Moneybarn gathered showed Mr H had a default recorded against him 14 months prior but none more recent.

I do understand Mr H's concern that this data alone should have indicated the potential for financial difficulties. But I also have to consider that at 14 months prior this default was relatively historic – and the data available at the point of sale indicated that Mr H's financial situation had improved with no defaults applied since. By the same reasoning I'm not satisfied that the historic CCJ recorded 37 months prior should have indicated Mr H would have found difficulty in sustainably making repayments – as this was too historic to be used as a reliable indicator of his current financial situation.

Instead Moneybarn could see that for at least the past year there was no adverse information on Mr H's credit file, and no concerns that Mr H would be unable to repay the loan without experiencing significant adverse consequences.

Mr H and his representative have also explained that Mr H's self-employed role should have meant further checks took place. I've thought about this carefully – but I'm still satisfied that the checks completed were proportionate. I say this because the data Moneybarn received from the credit reference agency suggested a relatively large margin of disposable income versus the expected payment, and importantly also a very limited amount of other borrowing commitments on Mr H's credit file – estimated at only £59 a month.

So, whilst I appreciate Mr H feels strongly that bank statements should have been requested by Moneybarn, I'm not satisfied that Moneybarn needed to perform any more checks than it did at the time. I don't think there was a reason for Moneybarn to suspect any concerns about Mr H's ability to make the repayments because there was no recent adverse data about his financial position at the time of the point of sale. The information it had gathered was also consistent with the information Mr H had disclosed.

Overall, I'm satisfied that Moneybarn gathered a reasonable and proportionate amount of evidence and information to be able to adequately assess whether the agreement was affordable and sustainable for Mr H. However, this doesn't automatically mean it made a fair lending decision.

Did Moneybarn make a fair lending decision?

I've considered the income and expenditure details obtained at the time, alongside the reported default and historic CCJ. The information gathered showed Mr H had around £750 in monthly expenditure (including other borrowing commitments), versus a monthly income of £2,527 and an average disposable income of around £1,719.25 per month. I'm satisfied that altogether this picture of Mr H's income and expenditure meant the agreement appeared to be affordable.

Moneybarn was entitled to lend to Mr H even if he had a previous poor history of repaying credit, but if it did so it needed to ensure it was affordable and sustainable. From the information disclosed at the time it seems Mr H still had sufficient disposable income each month to make reasonable repayments towards his debts, his other credit commitments and the new finance agreement in a sustainable way. From everything I've seen I can't reasonably say Moneybarn acted unfairly when approving Mr H's finance agreement.

Did Moneybarn act unfairly or unreasonably in some other way?

I'm not persuaded from the submissions made to date that Moneybarn acted unfairly or unreasonably in some other way.

My final decision

My 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 25 April 2024.

Paul Clarke
Ombudsman