

## **The complaint**

Mr H complains about the affordability of a hire purchase agreement provided by Moneybarn No. 1 Limited.

Mr H is represented by a claims management company but for ease of reading, I'll refer to everything that's been said on his behalf as if Mr H said it himself.

## **What happened**

Mr H acquired a used car through a hire purchase agreement with Moneybarn in May 2021. The agreement ran for 60 months, Mr H was required to make monthly payments of £502.96.

In February 2023 Mr H complained to Moneybarn. In summary he said Moneybarn didn't complete adequate affordability checks before agreeing to lend to him. He said, if it had, it would have seen the agreement wasn't affordable.

Moneybarn didn't agree. It said it had carried out several different checks before agreeing to lend which included:

- a full credit search through a credit reference agency which provided details of Mr H's borrowing at the time of taking out the agreement as well as his repayment history, including arrears and defaults.
- an independent verification of Mr H's declared monthly income which it averaged at £2679 based on 8 weeks' pay slips provided by him.
- estimating Mr H's non-discretionary expenditure.

Moneybarn said from the above checks it was able to establish:

- Mr H's existing borrowing was within its lending criteria.
- although Mr M had a default registered against his name and a county court judgement, both were recorded 10 months prior to it agreeing the lending.
- Mr H could afford the monthly repayment of £502.96.

Mr H remained unhappy and so referred his complaint to the Financial Ombudsman. Our Investigator didn't recommend the complaint be upheld because she didn't think there was enough evidence to suggest the agreement wasn't affordable to Mr H.

Mr H didn't agree and said Moneybarn should have done more to establish his financial situation at the time.

As an agreement can't be reached the case has been passed to me for a 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.

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 money.

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

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr H would be able to sustainably repay the borrowing?
  - a. If it did, was the decision to then lend to Mr H fair?
  - b. If it didn't, would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?
2. Did Moneybarn act unfairly or unreasonably in some other way?

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr 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.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mr H about his ability to repay. I say this because it completed a credit check in order to understand how Mr H had managed his existing and previous finance arrangements. It also verified Mr H's income via payslips, confirmed his accommodation type and his employment. It used statistical data to estimate his likely expenditure on rent, utilities and council tax.

Moneybarn also considered what would have been left over to cover other expenditure and made an allowance of around £720. It noted that even after the estimated expenses had been taken into account, Mr H would have had enough disposable income to afford monthly repayments up to £502.96.

Having said that, I don't think the checks were proportionate. Moneybarn hasn't provided a copy of the credit check it completed with one of the credit reference agencies. But given the amount of the monthly repayments, term of the finance and the outstanding balances the credit check revealed, Moneybarn could've been more specific in asking Mr H about his monthly expenditure to assess his circumstances at the time, rather than relying on statistical data. So, I find Moneybarn didn't complete proportionate checks in the circumstances of this case.

Would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?

I've thought about whether Moneybarn would still have chosen to lend money to Mr H if it had carried out reasonable and proportionate checks.

I can't be certain what evidence Moneybarn would have asked Mr H to provide or what questions it would have asked him. But Mr H has provided a breakdown of his monthly income and expenditure from the time of the agreement whereby his outgoings amount to around £1900, this included the cost of repaying the lending. Given what he's told us, I think Mr H has made a reasonable estimate of his monthly finances. This doesn't necessarily convey on the bank statements he has provided but Mr H has estimated his monthly expenditure higher to what Moneybarn relied on and left a disposable income of around £745. So, I don't find that I can say had further checks taken place that the agreement would have been found to be unaffordable.

Based on the information I've outlined above I can't fairly say Moneybarn made an unfair lending decision.

Did Moneybarn act unfairly or unreasonably in some other way?

Whilst I've carefully thought about everything Mr H has told us, I'm afraid it doesn't affect my findings. I don't think there is enough evidence or information to suggest the agreement was unaffordable for Mr H, or that Moneybarn acted unfairly or unreasonably towards him in any other way.

### **My final decision**

For the reasons outlined above, 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 29 September 2023.

Rajvinder Pnaiser  
**Ombudsman**