

Complaint

Mr G complains that Moneybarn No. 1 Limited ("Moneybarn") unfairly entered into a conditional sale agreement with him.

He's said that the monthly payments to this agreement were unaffordable and so the agreement should never have been approved.

Background

In September 2021, Moneybarn provided Mr G with finance for a used car. The purchase price of the vehicle was £8,149.00. Mr G didn't pay a deposit and took out a conditional sale agreement with Moneybarn for the entire £8,149.00.

The loan had interest and charges of £8,206.90 and a 56-month term. This meant that the total amount to be repaid of £16,355.90 was due to be repaid in 55 monthly instalments of £297.38.

Mr G's complaint was considered by one of our investigators. He didn't think that Moneybarn had done anything wrong or treated Mr G unfairly. So he didn't recommend that Mr G's complaint should be upheld.

Mr G disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mr G's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Mr G's complaint. I'd like to explain why in a little more detail.

Moneybarn needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr G before providing it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired

credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Moneybarn says it agreed to this application after Mr G provided details of his monthly income. It says it also carried out credit searches on Mr G which had shown Mr G had previously defaulted on credit but had no county court judgments ("CCJ") taken out against him. And although there was a default present this had occurred more than six months prior to this agreement.

In Moneybarn's view, when the amount owing plus a reasonable amount for Mr G's living expenses were deducted from his monthly income the monthly payments for this agreement were still affordable.

On the other hand, Mr G says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr G and Moneybarn have said.

The first thing for me to say is that Moneybarn didn't simply rely on what Mr G had said. It also obtained quite a bit of information on him. For example, it obtained copies of bank statements for the two month period prior to it lending to Mr G.

I think that this is important because the information in the bank statements appears to show that when Mr G's committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept it's possible that Mr G's actual circumstances at the time might have been worse than what the information he provided shows. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And I don't think that Moneybarn could possibly be expected to have known that the payments to this agreement were unaffordable, bearing in mind that the information provided, including the bank statements, didn't clearly show that this was the case.

So overall and having carefully considered everything, I'm satisfied that Moneybarn did carry out reasonable and proportionate checks. And the information it obtained didn't suggest that the monthly payments were unaffordable or that there was any other obvious reason not to lend.

As this is the case, I don't think that Moneybarn acted unfairly or unreasonably towards Mr G. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr G. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 November 2023.

Jeshen Narayanan

Ombudsman