DRN-4391707

Complaint

Miss B complains that Moneybarn No.1 Ltd ("Moneybarn") unfairly entered into a conditional-sale agreement with her. She's said the agreement was unaffordable and so she shouldn't have been accepted for it.

Background

In March 2020, Moneybarn provided Miss B with finance for a used car. The cash price of the vehicle was £9,198.00. Miss B paid a deposit of £2,101.00 and entered into a conditional sale agreement with Moneybarn for the remaining £7,097.00 The loan had interest, fees and total charges of £6,106.23 and the total amount to be repaid of £13,2203.23 (excluding the deposit Miss B paid) was due to be repaid in 41 monthly instalments of £322.03.

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

Having carefully thought about everything I've been provided with, I'm not upholding Miss B'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 Miss B could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Moneybarn carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 it completed an income and expenditure assessment on Miss B. During this assessment, Miss B provided details of her monthly income. Moneybarn says it also carried out credit searches on Miss B which showed some low outstanding balances on existing credit and historic adverse information in the form of a default around 2.5 years before this application.

But when the amount Miss B already owed plus a reasonable amount for Miss B's living expenses, based on average data, were deducted from her monthly income the monthly payments were still affordable. On the other hand, Miss B says she was already struggling at the time, was on a low income and that these payments were unaffordable.

I've thought about what Miss B and Moneybarn have said.

The first thing for me to say is that I don't think that the checks Moneybarn carried out did go far enough. In my view, bearing in mind it will have seen a default registered against Miss B as a result of its credit search and the monthly payments were taking up a reasonable chunk of Miss B's income, I'm satisfied that Moneybarn needed to take further steps to verify Miss B's actual living costs, rather than rely on average data, in order for its checks to have been proportionate.

As Moneybarn didn't carry out sufficient checks, I've gone on to decide what I think Moneybarn is more likely than not to have seen had it obtained further information from Miss B. Given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Miss B's regular living expenses as well as her income and existing credit commitments.

I've considered the information Miss B has provided us with – including her bank statements. And having done so, this information does appear to show that when Miss B's committed regular living expenses and existing credit commitments are deducted from her monthly income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

It might also help to explain that what I'm required to think about here in order to determine whether Moneybarn acted fairly and reasonably towards Miss B, is whether Miss B had sufficient disposable income to enable her to make the monthly payments to this agreement. And having considered everything, I'm satisfied that the available information indicates that Miss B had sufficient funds in order for the monthly payments to this agreement to be made in a sustainable manner.

So overall and having carefully considered everything, while I don't think that Moneybarn's checks before entering into this conditional-sale agreement with Miss B did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have prevented Moneybarn from providing these funds, or entering into this agreement with her.

Overall I'm therefore satisfied that Moneybarn didn't act unfairly towards Miss B when it lent to her and I'm not upholding Miss B's complaint. I appreciate that this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 22 November 2023.

Jeshen Narayanan
Ombudsman