

The complaint

Mr D complains that Moneybarn No. 1 Limited trading as Moneybarn irresponsibly gave him a conditional sale agreement he couldn't afford.

What happened

In August 2022, Mr D acquired a used car by taking out a conditional sale agreement with Moneybarn. The cash price of the car was £5,880. Mr D paid a deposit of £261 and was required to pay a further 59 monthly repayments of £176.35. The total repayable under the agreement was £10,665.65.

In November 2022, Mr D raised a complaint to Moneybarn to say that the agreement was unaffordable. He said that Moneybarn didn't complete appropriate checks before lending and had it done, it would have seen he was struggling financially. Mr D began to miss payments soon after making his complaint.

Moneybarn didn't think it had acted unfairly in providing credit to Mr D. It said that it carried out appropriate checks which didn't show any affordability concerns.

I sent Mr D and Moneybarn my provisional decision on 27 September 2023. I explained why I didn't think the complaint should be upheld. I said:

The adjudicator concluded that Moneybarn didn't complete reasonable and proportionate affordability checks before lending to Mr D. Moneybarn hasn't disputed this, but for clarity, I agree. It appears that prior to the application, Mr D had some relatively recent repayment difficulty on other credit and another car finance credit agreement. All of this ought to have prompted Moneybarn to have applied more detailed scrutiny to Mr D's financial circumstances before lending.

Mr D had declared a monthly income of £1,760 and Moneybarn had used credit reference agency data to estimate whether this was likely to be accurate. It also used statistical data to estimate Mr D's likely committed expenditure. However, given what was apparent on Mr D's credit file, I think that proportionate affordability checks ought to have included a more detailed verification of Mr D's income as well as finding out what his committed expenditure actually was (rather than relying on a statistical estimate).

I can't be sure exactly what Moneybarn would have seen if it had done further checks, but I've reviewed copies of Mr D's bank statements and asked additional questions about various income and expenditure entries on those statements. In the absence of anything Moneybarn might have done, I think I can place significant weight on what Mr D has told us and what his bank statements show about his financial circumstances at the time.

Mr D's income comprised a salary from his employment, benefits and regular cash deposits through the post office. I've asked Mr D about the source of these cash deposits, but his responses have been unclear. However, I'm satisfied based on what

I've seen and what Mr D has said, that these were also a regular source of income. I'm mindful that Mr D wanted to acquire the car, so I find it likely he would have described these as part of his income if asked by (especially as he appears to have described these as such to us now).

Large amounts of Mr D's expenditure appear to have been carried out on a 'fuel card'. Mr D says he put most of his food and other household expenditure on that card. However, from reviewing Mr D's bank statements it appears that a large proportion of the spending on the fuel card was paid for by the cash deposits made into his account at the post office. These cash deposits weren't taken into consideration by the adjudicator when they assessed Mr D's disposable income. As these cash deposits were regular and appeared to cover specific expenses, I think it's reasonable for me to take those into account when considering whether Moneybarn made a fair lending decision.

Taking all of this into account, it appears the conditional sale agreement was affordable to Mr D or at least would have appeared to be affordable following any reasonable and proportionate scrutiny of his financial circumstances. I've not seen anything to make me think that more detailed and thorough affordability checks ought to have led to a different lending decision. I therefore don't think Moneybarn made an unfair lending decision.

I invited both parties to provide any further comments or evidence to my provisional decision. However, neither party responded.

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.

As neither party had any further comments or evidence provide, I've seen no reason to reach a different conclusion to the one I reached in my provisional decision. While I don't think Moneybarn's affordability checks went far enough, I've not seen anything to persuade me that had it carried out proportionate checks that it would likely have discovered any affordability concerns. I therefore don't think it made an unfair lending decision.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 November 2023.

Tero Hiltunen
Ombudsman