

## **The complaint**

Miss W is complaining about Moneybarn No.1 Limited (Moneybarn). She says they shouldn't have lent to her as the loan was unaffordable. Miss W's complaint was brought to our service by a representative but for ease I've written as if we've dealt directly with her.

## **What happened**

In September 2020, Miss W took out a conditional loan agreement with Moneybarn to finance the purchase of a car. She paid a deposit of £706 and borrowed £7,289 - the cash price of the vehicle was £7,995. The agreement required her to make 39 monthly repayments of £299.09. Her direct debit payments often bounced but she made up the payments by card and her account was up to date at the time of her complaint.

In December 2022, Miss W complained to Moneybarn, saying they shouldn't have lent to her because the loans were unaffordable and contributed to her debt spiral.

In their response, Moneybarn said that before lending to Miss W they'd conducted a full credit search and also verified Miss W's monthly income by reviewing the documentation she'd provided. Moneybarn added that they used data from the Office for National Statistics (ONS) to estimate Miss W's level of non-discretionary expenditure. They said Miss W's credit file showed her borrowing levels were moderate and her most recent default had been entered 54 months prior to her application. So they weren't concerned about Miss W's credit history and assessed her net disposable income at around £685 per month. Overall they were satisfied they'd done enough checks and the agreement was affordable for Miss W.

Miss W remained unhappy so she brought her complaint to our service. One of our investigators looked into the complaint but didn't uphold it, saying that although he thought Moneybarn hadn't completed proportionate checks, they'd have likely decided the agreement was affordable for Miss W if they had.

Miss W disagreed, saying Moneybarn had provided factually incorrect information about her employment status, didn't do any proper checks, and therefore acted irresponsibly in lending to her. She asked for a decision and the complaint's come to me. Miss W also commented that she'd ended up with a different car and with different monthly repayments to what she'd wanted – but Miss W would have to take that up with Moneybarn or the car dealer separately as a new complaint.

## **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.

Having done so, I'm not upholding Miss W's complaint for broadly the same reasons as our investigator. I'll explain why below.

In response to our investigator's view, Miss W's representative agreed that her bank statements show the loan was affordable – but their issue is with the false information on Moneybarn's final response letter, and the fact that the checks don't appear to have actually

taken place. When I'm considering a complaint, I have to think about what position the customer would be in if a business hadn't done anything wrong. So, even if I found Moneybarn had done no checks at all to see whether the loan was affordable for Miss W, I wouldn't be able to uphold her complaint if I think the checks they should have done would have shown the loan was affordable.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

*Did Moneybarn carry out proportionate checks?*

Moneybarn said they conducted a full credit search and checked Miss W's income. They also said they'd used ONS data to estimate Miss W's expenditure. Moneybarn noted Miss W was employed. It's not clear where that information came from – they'd obtained proof of income at the time of the loan which showed the level of benefits Miss W was receiving and no evidence of employment.

Moneybarn haven't sent us a copy of the credit report they used file so I looked at the credit report Miss W sent. This showed she was using several high-cost credit providers at the time of the lending – and some of these had been taken out recently. So Miss W was unemployed and reliant on benefits and was using high-cost credit. Both of these are indicators that her spending was unlikely to be in line with ONS data – and on that basis I'm not satisfied Moneybarn did proportionate checks, I think they needed to take additional steps to understand Miss W's expenditure.

*If Moneybarn had done proportionate checks in September 2020, what would they have found?*

Proportionate checks would have involved Moneybarn finding out more about Miss W's income and expenditure to determine whether she'd be able to make the repayments in a sustainable way.

I've looked at statements for Miss W's main bank account for the three months leading up to her application to Moneybarn. In the absence of any other information, bank statements provide a good indication of Miss W's income and expenditure at the time the lending decision was made.

Having done so, I can see Miss W's income averaged nearly £4,000 per month. She was making payments totalling around £375 per month for rent, council tax, water and energy. Her TV, internet and phone services cost her around £210 per month. She was spending around £150 per month on car insurance and £38 per month on pet insurance, as well as £28 per month on road tax. Her other regular payments were all finance payments – some of these for rent-to-own goods and some repaying debts. The total of these was around £1,000 per month. So her regular committed expenditure totalled around £1,800 per month. Once the repayments for this new loan agreement were added on, Miss W's total regular expenditure would be expected to be around £2,100 per month. With income of around £4,000 per month, this left around £1,900 for food and other essentials – so I can't say the loan was unaffordable for Miss W.

In summary, even though I don't think Moneybarn carried out proportionate checks, and I haven't seen evidence to support some of the contents of their final response letter, I can't say that they shouldn't have lent to Miss W. It follows that I'm not upholding Miss W's complaint.

### **My final decision**

As I've explained above, I'm not upholding Miss W's complaint about Moneybarn No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 11 December 2023.

Clare King  
**Ombudsman**