DRN-4434204

Complaint

Mrs D 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 August 2019, Moneybarn provided Mrs D with finance for a used car. The cash price of the vehicle was £5,695.00. Mrs D didn't pay a deposit and entered into a 48-month conditional sale agreement with Moneybarn for the entire £5,695.00. The loan had interest, fees and total charges of £4,428.33 and the total amount to be repaid of £10,123.33 was due to be repaid in 47 monthly instalments of £215.39.

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

Having carefully thought about everything I've been provided with, I'm not upholding Mrs D'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 Mrs D 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 Mrs D. During this assessment, Mrs D provided details of her monthly income. Moneybarn says it also carried out credit searches on Mrs D which is likely to have shown adverse information although it says it cannot confirm what exactly it saw as it no longer has access to the data.

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

I've thought about what Mrs D 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, Moneybarn will have seen adverse information recorded on Mrs D's credit file as a result of the credit search carried out. So I'm satisfied that Moneybarn needed to take further steps to verify Mrs D'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'd normally go on to decide what I think Moneybarn is more likely than not to have seen had it obtained further information from Mrs D. Given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Mrs D's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs D has provided us with. And having done so, this information does appear to show that when Mrs D's committed regular living expenses and existing credit commitments are deducted from her monthly income and what she received from her husband as a contribution to the household expenditure, 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 Mrs D, is whether Mrs D 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 Mrs D 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 Mrs D 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've therefore not been persuaded that Moneybarn acted unfairly towards Mrs D when it lent to her and I'm not upholding Mrs D's complaint. I appreciate that this will be very disappointing for Mrs D. 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 Mrs D's complaint.

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

Jeshen Narayanan
Ombudsman