

Complaint

Miss R complains that Moneybarn No.1 Limited (trading as “Moneybarn”) unfairly entered into a conditional-sale agreement with her.

She’s said that the agreement was unaffordable and so she shouldn’t have been provided with it.

Background

In February 2018, Moneybarn provided Miss R with finance for a used car. The amount lent was £6,995.00. Miss R paid a deposit of £2,500.00 and entered into a conditional sale agreement for 60 months with Moneybarn for the remaining £4,495.00.

The agreement had interest, fees and total charges of £7,337.45, and the total amount to be repaid of £11,832.45 (not including Miss R’s deposit) was due to be repaid in 59 monthly instalments of just over £200.55.

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

Miss R 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 R’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss R’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 Miss R 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 Miss R provided details of her monthly income, which it verified with payslips that it asked for copies of. It says it also carried out credit searches on Miss R which did show a defaulted account and some outstanding balances. But when the amount owing plus a reasonable amount for Miss R's living expenses were deducted from her verified monthly income the monthly payments were still affordable.

On the other hand, Miss R says that these payments were unaffordable and there was no way she was going to be able to maintain them.

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

The first thing for me to say is that much like our investigator, I don't think that the checks Moneybarn carried out did go far enough. I don't think it was reasonable to rely on an estimate of Miss R's living costs given there was some adverse information on the credit search carried out.

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 R. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected Moneybarn to have had a reasonable understanding about Miss R's regular living expenses as well as her income and existing credit commitments, which it already had.

The information Miss R has provided does appear to show that when her committed regular living expenses and existing credit commitments were deducted from her monthly income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that the real reason for Miss R's inability to make her payments to this agreement wasn't due to her existing credit commitments or her living expenses. And that this is readily apparent when Miss R's bank statements are considered. I'm sorry to hear of Miss R's difficulties and that making her payments were difficult as a result of this. However, the question I need to determine is whether Moneybarn knew or ought to have known about this - not just whether this was the case.

And to decide this question, I need to keep in mind what Moneybarn needed to do in order to answer the questions its initial checks left unanswered. In other words, Moneybarn needed to work out what Miss R's actual regular living expenses were (bearing in her income and credit commitments were already validated by the payslips requested and the credit search carried out). In these circumstances, it isn't the case that a full financial review needed to be carried out.

Checking bank statements wasn't the only way for Moneybarn to have found out more about Miss R's actual living costs. This is extremely important for me to emphasise here because it doesn't automatically follow that bank statements will be reviewed when a lender's checks aren't sufficient.

For example, a lender could instead obtain copies of bills or other evidence of payment etc – I don't think that proportionate checks would have extended into obtaining the bank statements Miss R has now provided us with. I think that this is particularly the case given this was a first agreement and Miss R was being provided with a car rather than cash.

So I don't think that Moneybarn could reasonably be expected to have known about the nature and extent of Miss R's additional spending. And, in these circumstances, I don't think that it is fair and reasonable for these to now be taken into account.

Overall and having carefully considered everything, while I don't think that Moneybarn's checks before entering into this conditional-sale agreement with Miss R did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Moneybarn from providing these funds, or entering into this agreement. So I'm satisfied that Moneybarn didn't act unfairly towards Miss R when it agreed to provide the funds.

I'm therefore not upholding Miss R's complaint. I appreciate that this will be disappointing for Miss R. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

Although I'm not upholding Miss R's complaint, I would remind Moneybarn of its obligation to exercise forbearance and due consideration (bearing in mind what it is now aware of) in the event that it intends to collect the remaining payments on the agreement and Miss R is experiencing financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 3 January 2024.

Jeshen Narayanan
Ombudsman