

Complaint

Miss M complains that Moneybarn No.1 Ltd ("Moneybarn") unfairly entered into a conditional-sale agreement with her. She's said the agreement was unaffordable for her.

Background

In May 2021, Moneybarn provided Miss M with finance for a used car. The cash price of the vehicle was £6,095.00. Miss M didn't pay a deposit and entered into a 60-month conditional sale agreement with Moneybarn for the entire purchase price of £6,095.00. The loan had interest, fees and total charges of £4,939.77 and the total amount to be repaid of £11,034.77 was due to be repaid in 59 monthly instalments of £187.03.

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

Having carefully thought about everything I've been provided with, I'm not upholding Miss M'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 M 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 M. During this assessment, Miss M provided details of her monthly

income which it cross checked against it obtained on the amount of funds Miss M's account was receiving each month.

Moneybarn says it also carried out credit searches on Miss M which showed no significant adverse information in the form of defaults or County Court Judgments ("CCJ") recorded against her. Miss M did have some active existing regular credit commitments but these weren't excessive.

Furthermore, in Moneybarn's view, when the amount Miss M already owed plus a reasonable amount for Miss M's living expenses was deducted from her monthly income the monthly payments were still affordable. On the other hand, Miss M says she was already struggling at the time and that these payments were unaffordable.

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

The first thing for me to say is that I think that Moneybarn should probably done a bit more before concluding that this agreement was affordable for Miss M. In my view, bearing in mind the amount being lent, the term and total cost of the agreement, I'm satisfied that Moneybarn needed to take further steps to ascertain Miss M's actual living costs, rather than assuming Miss M's living expenses in order for its checks to have been reasonable here.

As Moneybarn should have done more, I've gone on to decide what I think Moneybarn is more likely than not to have seen had it done that here. Given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Miss M's regular living expenses as well as her income and existing credit commitments.

I've considered the information Miss M has provided us with. Having done so, this information appears to show that when Miss M's committed regular living expenses are combined with what the credit checks showed and are deducted from the income going into her account at the time, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Indeed the monthly payments for this agreement were significantly less than what Miss M was paying to hire vehicles in the period leading up to this purchase, which she wouldn't have to pay going forward. Miss M has said she required a vehicle going forward and has explained the reasons for this. So I think it's fair to say that entering into this agreement would have seen Miss M's outgoings reduce as she would have saved on hire costs.

I accept that the information Miss M has now provided – in the form of bank statements - does provide some indication of why she did find it more difficult to make her payments than the information obtained showed. But 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 M, is whether Moneybarn would have lent had it done what I think it should have.

Having considered everything, I'm satisfied that Moneybarn is unlikely to have found out about what is in Miss M's bank statements even if it had carried out further checks. I say this as obtaining bank statements were not the only way for Moneybarn to find out more about Miss M's regular living costs. It could have instead asked for copies of bills, or other evidence of payments. In my view, any further checks carried out are likely to have led to Moneybarn concluding that Miss M had sufficient funds 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 M did go far enough,

I'm satisfied that doing more 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 M when it lent to her and I'm not upholding Miss M's complaint. I appreciate that this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss M'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 outstanding balance remaining and Miss M is experiencing financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 9 January 2024.

Jeshen Narayanan
Ombudsman