

Complaint

Mrs O 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 2018, Moneybarn provided Mrs O with finance for a used car. The cash price of the vehicle was £7,475.00. Mrs O didn’t pay a deposit and entered into a 60-month conditional sale agreement with Moneybarn for the entire purchase price of £7,475.00. The loan had interest, fees and total charges of £7,195.94 and the total amount to be repaid of £14,674.94 was due to be repaid in 59 monthly instalments of £248.66.

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

Mrs O disagreed with our investigator’s assessment and asked for her complaint to be 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 O’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mrs O’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 O 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 O. During this assessment, Mrs O provided details of her monthly income which it verified against payslips to support what she'd declared.

Moneybarn says it also carried out credit searches on Mrs O which showed that she had some historic adverse information recorded against her – from more than four years prior to this application. And while Mrs O did have some active existing credit commitments these weren't excessive.

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

I've thought about what Mrs O and Moneybarn have said.

The first thing for me to say is that I think that Moneybarn should have applied a bit more scrutiny to what it had. 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 Mrs O's actual living, rather than assuming Mrs O'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 Mrs O's regular living expenses as well as her income and existing credit commitments.

I've considered the information Mrs O has provided us with. Having done so, this information appears to show that when Mrs O'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.

Mrs O is unhappy her husband's income appears to have been taken into account. But Mrs O and her husband appear to have been operating joint finances. Both incomes were going into the account statements have been provided for and the bills were being paid from it to. Furthermore, as Mrs O was being provided with an asset that was likely to benefit her household, rather than just her, it's not unreasonable to conclude that her husband's contribution to the family expenditure could flex up and down where necessary to take into account the payments Mrs O would now be responsible for. So, in my view, it is unlikely – and less likely than not – that Moneybarn would have declined to lend if it had seen this information.

Having considered everything, I'm satisfied that the available information makes it appear, at least, as though Mrs O had sufficient funds in order for the monthly payments to this agreement to be made in a sustainable manner.

I accept that it's possible Mrs O's actual circumstances may not be fully reflected in the information provided. For example, I know that Mrs O did go on to take further borrowing elsewhere and missed payments. But Moneybarn won't have known that this would happen. All I'd expect it to do is fill in the gaps in its assessment, which I have highlighted above.

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 O 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.

I'm therefore satisfied that Moneybarn didn't act unfairly towards Mrs O when it lent to her and I'm not upholding Mrs O's complaint. I appreciate that this will be very disappointing for Mrs O. 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 O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 31 January 2024.

Jeshen Narayanan
Ombudsman