

The complaint

Mr C complains that Moneybarn No 1 Limited trading as Moneybarn didn't carry out sufficient affordability checks before they lent to him.

What happened

In January 2018 Mr C entered into a Conditional Sale agreement with Moneybarn when he acquired a car. The cash price being £4,495, no deposit was paid, and with added interest and charges the total amount repayable was £8,790.41. Payable in monthly instalments over 48 months at £187.03. Mr C settled the agreement in December 2019. Mr C complained to Moneybarn as he said he'd been financially disadvantaged as they hadn't properly checked the affordability of the loan.

Moneybarn said they'd carried out proportionate and reasonable checks. They'd verified Mr C's income by his payslips and checked his credit file with a credit reference agency (CRA) which showed the lending was affordable.

Mr C wasn't happy with Moneybarn's response and referred his complaint to us.

Our investigator said as Moneybarn couldn't show us the credit file report they'd seen at the time of the lending she couldn't conclude whether the checks had been proportionate and reasonable. But after checking Mr C's financial situation at the time, she said that he'd sufficient disposable income to sustain the repayments.

Mr C didn't agree, he said the amount he'd left each month wasn't sufficient to cover for any unexpected financial situations. He asked for an ombudsman to decide.

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.

I appreciate Mr C will be disappointed by my decision but having done so I'm not upholding this complaint. I'll explain why.

Moneybarn has shown that before deciding to lend to Mr C they sought information about his income by way of checking two of his payslips and his bank statement for the period October 2017 to December 2017. They assessed Mr C's income to be £1,377.28.

Moneybarn also say they did a credit check – which they can't provide a copy of – that they said showed Mr C's current borrowing levels; his repayment history, including whether there were any arrears; and whether he'd any past defaulted accounts. Moneybarn said these didn't show any concerns about the affordability of the lending. Moneybarn has shown their income and expenditure assessment, but this doesn't take account of Mr C's day to day living costs, and only shows a monthly credit commitment of £12.

I can see that Moneybarn verified two months' payslips, which is a limited assessment of Mr C's income, we'd usually expect an assessment to consider the three months prior to

lending. But Moneybarn also had bank statements covering October 2017 to December 2017 that showed the payslip amounts being paid in. But I can't see that these bank statements showed Mr C's day to day living costs. They did show he made regular transfers to another bank account. And I think this should have prompted Moneybarn to check further into this account.

Moneybarn hasn't been able to show to us the credit file report they saw. So, I agree with our investigator that it's not possible to say that Moneybarn's checks would have shown that the lending could be sustained.

Taking this into account, I think Moneybarn ought to have done further checks into Mr C's financial position and personal circumstances to establish whether the lending they subsequently provided was affordable for him or not.

Mr C has provided us with his other bank account details from October 2017 to January 2018. And from these I can see that he'd non-discretionary spend for rent, mobile phone, union fees, food and gym membership. I can also see that Mr C at this time had an overdraft facility of £250 which fluctuated over the three months, which meant he incurred regular overdraft and account fees. I've included these transactions into the assessment of Mr C's non-discretionary spending which I've calculated on average to be around £924 a month.

I can see a single payment across the three months towards Mr C's credit card. Mr C has shown that at the time of lending he'd a credit card with a £300 limit. So, I've considered he would have had, if the credit limit was fully utilised a monthly repayment of around £15 (allowing for a minimum repayment of 5%). This meant Mr C's non-discretionary spend would be around £939 a month.

I didn't see the utilities I would have expected to see present on Mr C's bank statements, water, electricity and gas bills aren't present. Mr C has said he was renting and had no dependents, and the bills would have been included in his rental payment, an amount that I've included in the above assessment.

But I can't see any transactions for car insurance, petrol and car tax which Mr C would have to pay on acquiring the car. From later statements I can see Mr C had car insurance of around £65 a month, petrol around £30 and car tax around £12. So, I think it would be fair to use these amounts when considering Mr C's monthly commitments. Taking this into account I think Mr C's outgoings each month would be around £1,046.

I can see that Mr C's income fluctuated but on average he'd an income of £1377, this would leave him with an available income of £331. And after the new loan amount of £187 is taken account of he'd a disposable income of £144 for incidental, discretionary spending.

Mr C hadn't any dependents, so overall, I think that if Moneybarn had completed further checks into whether or not this agreement was affordable for Mr C its more likely than not they would have reached the same lending decision. As Mr C had a disposable income and should have been able to sustain the repayments. So, I don't think Moneybarn acted unfairly or unreasonably in agreeing to lend to him.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 January 2024.

Anne Scarr
Ombudsman