

Complaint

Mrs F 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 August 2019, Moneybarn provided Mrs F with finance for a used car. The cash price of the vehicle was £6,295.00. Mrs F paid a deposit of £235 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £6,060.00. The loan had interest, fees and total charges of £5,994.88 and the total amount to be repaid of £12,054.88 (not including Mrs F’s deposit of £235) was due to be repaid in 59 monthly instalments of £182.81.

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

Mrs F 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 F’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mrs F’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 F 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 F. During this assessment, Mrs F provided details of her monthly income which it cross checked against information from credit reference agencies on the amount of funds going into her account each month.

Moneybarn says it also carried out credit searches on Mrs F which showed that she had some adverse information recorded against her and that she was in an Individual Voluntary Arrangement ("IVA").

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

I've thought about what Mrs F 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 F's actual living costs, rather than assuming Mrs F's living expenses in order for its checks to have been reasonable here.

That said, I don't think that obtaining further information on Mrs F's actual living costs would have made a difference to Moneybarn's decision to lend in this instance. I say this because Moneybarn was not only aware of Mrs F's, IVA but it also contacted Mrs F's IVA practitioner to obtain its permission for Mrs F to enter this agreement. The IVA practitioner was responsible for supervising Mrs F's agreement and had an obligation to Mrs F's existing creditors.

So I think that it confirming that it was content for Mrs F to proceed with an agreement that had monthly payments of up to £20 a month more than the amount of this agreement, is indicative of the fact that when Mrs F's 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 it's possible Mrs F's actual circumstances may well have worsened in the period since she entered into the agreement. For example, the effects of the pandemic began only a few months after this agreement was taken out. But I can't say that this is something that Moneybarn could reasonably have been expected to have foreseen - particularly given its unprecedented nature.

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 F 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 F when it lent to her and I'm not upholding Mrs F's complaint. I appreciate that this will be very disappointing for Mrs F – particularly as the claims management company that initially contacted her probably encouraged her to complain. 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 Mrs F's complaint, I would like to remind Moneybarn of its obligation to exercise forbearance and due consideration, now that it has been told more

about Mrs F's financial position, in the event that Mrs F has difficulty making her payments going forwards.

My final decision

My final decision is that I'm not upholding Mrs F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 18 March 2024.

Jeshen Narayanan
Ombudsman