

The complaint

Mr C, via a third party, complains that Moneybarn No. 1 Limited (“Moneybarn”) unfairly entered into a conditional sale agreement with him. He says that due to his personal and financial circumstances at the relevant time the agreement was unaffordable.

What happened

In June 2019 Mr C entered into a conditional sale agreement with Moneybarn for a used car costing £7,500. Under the terms of the agreement, everything else being equal, Mr C undertook to make 59 monthly repayments of £255.66 making a total repayable of £15,083.94 at an APR of 37.7%.

Mr C complained that the agreement was unaffordable and so should never have been provided to him. Moneybarn didn’t uphold the complaint. It said that the finance provided was assessed fairly and the amount offered was affordable.

Mr C’s complaint was considered by one of our investigators. They came to the view that Moneybarn hadn’t made an unfair lending decision. In other words, they didn’t uphold Mr C’s complaint.

Mr C disagreed with our investigator and so his complaint has been passed to me for review and decision.

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.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr C’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 Mr C could make his payments in a sustainable manner before agreeing to lend to him. 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 Mr C provided details of his monthly income, which it verified with a credit reference agency. It also says that it carried out a credit search on Mr C which showed that although he had previously defaulted on some previous borrowing he had no court judgments ("CCJ") or insolvency information recorded against him.

In Moneybarn's view, taking everything into account, the monthly payments for this agreement were affordable.

On the other hand, Mr C says the agreement was unaffordable from the outset and this could and should have been apparent to Moneybarn. In particular Mr C says that in June 2019 he was in two debt management plans, had 5 defaults registered against him, was reliant on money from his partner and was making use of his overdraft.

I've thought about what Mr C and Moneybarn have said.

The investigator came to the view that Moneybarn, before agreeing to lend to Mr C, carried out reasonable and proportionate checks. Now I don't necessarily agree, especially in light of what I understand Moneybarn's credit check would have uncovered, this being a number of recent defaults and two debt management plans. But I need to make no finding on this particular point because like the investigator I'm satisfied that further checks by Moneybarn wouldn't have made a difference to its decision to lend in this instance.

Based on bank statements and other information provided by Mr C when his actual living expenses are added to his active credit commitments and deducted from the income he received he appears to have had enough left over to make the repayments to this agreement. And for the avoidance of doubt I can confirm that I'm in broad agreement with the figures quoted by the investigator in their view in this respect. I would also add that in coming to this view I can confirm that I accept that Mr C did indeed, from time to time, have the benefit of account credits from his partner (and possibly others) and that on one occasion he went overdrawn.

Furthermore, whilst this isn't always indicative that a loan was affordable at the outset, I can see that Mr C never missed any of the monthly agreement payments required of him before he took the decision to voluntarily terminate the agreement in December 2021. And this isn't normally consistent with a borrower being unable to afford the monthly repayments.

So I think that Moneybarn obtaining further information is likely to have led it to conclude that when Mr C's regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

So in summary I don't think that Moneybarn acted unfairly or unreasonably towards Mr C and I'm not upholding his complaint. I appreciate that this will be disappointing for Mr C, but I hope he'll understand the reasons for my decision and at least accept that his concerns have been listened to.

My final decision

My final decision is 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 8 May 2024.

Peter Cook
Ombudsman