DRN-4562250

Complaint

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

Background

In May 2019, Moneybarn provided Miss G with finance for a used car. The cash price of the vehicle was £5,043.00. Miss G paid a deposit of £43 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £5,000.00. The loan had interest, fees and total charges of £4,671.28 and the total amount to be repaid of £9,671.28 (not including Miss G's deposit of £43) was due to be repaid in 59 monthly instalments of £163.92.

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

Miss G 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 Miss G's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Miss G'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 G 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 G. During this assessment, Miss G provided details of her monthly income which it cross checked against information on the amount of funds Miss G received into her bank account each month. Moneybarn says it also carried out credit searches on Miss G which showed that she had some adverse information recorded against her.

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

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

The first thing for me to say is that bearing in mind Miss G's previous difficulties with credit, the amount being lent, as well as the term and total cost of the agreement, I'm satisfied that Moneybarn needed to take further steps to ascertain Miss G's actual living costs, rather than assuming Miss G'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 G's regular living expenses as well as her income and existing credit commitments.

I've considered the information Miss G has provided us with. To begin with, I wish to make it clear that I'm not going to carry out a forensic analysis of Miss G's bank statements to establish whether the monthly payments were affordable for her. I'm simply going to try and get some idea of what Moneybarn is likely to have found out about Miss G's living expenses had it done proportionate checks. I also have to bear in mind that obtaining bank statements wasn't the only way for Moneybarn to find out this information.

Having considered everything, the information provided appears to show that when Miss G's committed regular living expenses are combined with her credit commitments and then deducted from the funds she was receiving at the time, 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 Miss G's actual circumstances may well have worsened in the period since she entered into the agreement. For example, I know Miss G says that she never said that she was working full time and that she told her car dealer that she was about to incur higher living costs as she was moving out on her own.

I don't know if Miss G was asked specifically how many hours she worked, or simply who she worked for. But it seems to me that Moneybarn arrived at the figure for Miss G's income by checking this against the amount of funds she received into her account each month. Given Miss G declared her employer, I don't think that it was unreasonable for Moneybarn to rely on the income figure arrived at.

Furthermore, while Miss G might have been about to incur increased living costs she wasn't yet paying these at the time. While I don't completely rule out the possibility that she might have (as she says) told the salesperson that her situation was worse that it was, it's difficult for me to accept that this is more likely than not what happened at the time. I say this as Miss G was the party who made the application and she clearly wanted the car, which she chose and was only able to purchase through finance.

It is possible that Miss G may regret entering into this agreement in the circumstances she did at the time. But I don't think that this is the same as telling the salesperson that the finance was less affordable than it appeared and I cannot reasonably conclude that proportionate checks would have shown the full extent of what Miss G says about her circumstances, where the information provided now doesn't show this.

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 G 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 Miss G when it lent to her and I'm not upholding Miss G's complaint. I appreciate that this will be very disappointing for Miss G. 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 G'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 Miss G's financial position, in the event that Miss G has difficulty making her payments going forwards.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 2 April 2024.

Jeshen Narayanan
Ombudsman