

The complaint

Mr O, who is represented by a third party, complains that Moneybarn No. 1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In August 2020, Mr O acquired a used car financed by a conditional sale agreement from Moneybarn. Under the terms of the agreement Mr O was then required to make 59 monthly repayments of £247.76. The total repayable under the agreement was £14,658.84. The purchase price of the car was £8,115.00

Mr O got into difficulty with meeting his repayments around four months after the agreement started. He went on to miss making scheduled repayments due under the agreement. It was therefore necessary for him to agree a number of payment plans with Moneybarn to help him to reduce his arrears.

Mr O says that Moneybarn didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Moneybarn didn't agree. It said that it carried out a thorough assessment which included a search of Mr O's credit file, checking his income and finding out about his regular monthly outgoings.

Our investigator looked into the complaint and didn't recommend it be upheld. He thought Moneybarn didn't act unfairly or unreasonably by approving the finance agreement.

Mr O and those representing him didn't agree and so the complaint has been passed to me for a final 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.

Moneybarn will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mr O about his ability to repay. I say this because it completed a credit check to understand how Mr O had managed his existing and previous finance arrangements. It also took steps to verify Mr O's declared monthly income £1,615 of using payslip information. To do this it obtained two months of bank statements which set out an indication of what his regular financial commitments were – although because this included some unpaid leave it gave a slightly lower indication of his usual income. Based on that,

and using statistical data, Moneybarn estimated that Mr O had monthly disposable income of around £540, before his monthly repayment to Moneybarn would be deducted.

I've also seen that Mr O had a defaulted account around 23 months before he started the agreement. He also had an earlier history of account defaults, the remaining balance of which stood at £6,100, but it was being reduced steadily. He owed around £6,300 in existing loans and around £550 to credit cards. The credit check also suggested that Mr O might have got behind with some credit repayments around five months earlier, although these appear to have been for relatively low sums.

I've thought about what Moneybarn found out and whether it should have been prompted to find out more before agreeing to lend to Mr O. Moneybarn doesn't expect its potential customers to have unblemished credit histories and so before agreeing to provide any finance I would expect it to carry out reasonable and proportionate checks that would show up any such issues. And in Mr O's case, from what I've seen I think it's likely it did that.

However, just because I think it carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed. Whilst the historical defaults and more recent arrears suggests that Mr O had experienced a level of financial difficulty in the past, he appeared to be in better control of his financial and debt commitments by the time he took out the agreement.

I've reviewed the information and evidence Moneybarn gathered. Having done so I'm satisfied that the checks that were completed show that the agreement was likely to be affordable to Mr O, taking into account the loan repayments and additional cost of running the car he'd acquired. I also say this having considered the bank statement evidence I've seen for the months leading up to the finance being agreed, showing Mr O's income and regular monthly expenditure. I've noted that he was making use of his overdraft, which is something that can often be a concern, but was not over-reliant on it. I've also seen that he had taken out loans with telecoms suppliers as well as two hire purchase agreements which he'd been managing reasonably well at that point. So I don't think, looking at the overall pattern of his income and day-to-day expenditure, there was enough to suggest that his financial circumstances were at risk of deteriorating. Overall, Mr O appeared able to satisfy his existing household outgoings and credit commitments without getting into undue difficulty with his day-to-day financial situation.

I've also looked at the steps Moneybarn took to support Mr O when he got in touch with them about the difficulties he was having meeting the repayments. I think on balance it did enough, including helping him by putting in place several plans to help him to manage and reduce his level of arrears. Going forward, I'd urge Moneybarn to continue to engage in a constructive and supportive way if he needs additional support in the future.

I therefore agree with our investigator that Mr O was likely to have been left with sufficient disposable income to cover his monthly repayments to Moneybarn. That means I can't say that the agreement was unaffordable for Mr O and so I don't think Moneybarn acted unfairly when approving his finance application.

Finally, I would like to add that I am sorry to hear about the difficult personal circumstances Mr O has experienced and I do hope things have improved for him. But from the perspective of this decision, I nevertheless think that Moneybarn didn't act unfairly in providing him with this agreement at the time he arranged the finance.

I am sorry to have to disappoint Mr O on this occasion.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 24 April 2024.

Michael Goldberg

Ombudsman