

The complaint

Miss E complains that Moneybarn No.1 Limited, trading as Moneybarn lent to her irresponsibly when it gave her a car finance agreement which she says she couldn't afford. She also complains that the interest rate was too high.

What happened

Miss E took out a car finance agreement with Moneybarn for £14,500 in November 2019. Miss E settled the agreement in August 2020.

Miss E says that Moneybarn shouldn't have lent to her because it made her financial situation worse. She says her financial position was poor at the time she took out the agreement. Miss E says that Moneybarn used the incorrect figure for her income to decide whether she could afford the borrowing.

Miss E also says that the interest rate was too high. She says that she hadn't taken out a car finance agreement in a long time, so she didn't know enough to understand how high the interest rate charged was.

Miss E asks that Moneybarn pay back all interest and charges on the agreement.

Our investigator didn't think Miss E's complaint should be upheld. Miss E disagreed. Miss E queried that she had even signed the agreement and maintained that it would have been clear she couldn't afford the borrowing. Our investigator reviewed the evidence again but maintained that they didn't think Miss E's complaint should be upheld.

As Miss E didn't agree with the investigator's view her complaint has been passed to me to make a 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Miss E's complaint.

Having done so, I have come to the same conclusion as that of our investigator. I will explain why I have reached this decision.

Moneybarn needed to take reasonable steps to ensure that it didn't lend irresponsibly. In

practice this means that it should have carried out proportionate checks to make sure Miss E could afford to repay what she was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Miss E's income and expenditure. There is no set list of checks a business has to do.

In Miss E's case, Moneybarn has provided evidence of the checks it completed, and the information Miss E gave during her application. Miss E declared a monthly salary of £3,000. Moneybarn ran further checks to verify Miss E's income. Miss E disputes that she declared this level of income and has provided bank statements to show that she wasn't earning that much.

Moneybarn was entitled to rely on Miss E's declared income. And when it verified her income, those checks would have shown any deposits in Miss E's account as income, even if it didn't come from a salary. I can see from the bank statements provided that this was the case.

Moneybarn has provided a copy of the electronic application Miss E completed, which declares an income of £3,000 a month and also provided a copy of the credit agreement which Miss E signed electronically as well as the document which explains the proposed finance agreement. The application shows that Miss E declared a monthly income of £3,000 and the explanation document has a section about income and expenditure which clearly stated that Miss E's total current net monthly income was not less than £3,000.

I think Moneybarn was entitled to rely on Miss E's declared income, having verified this. And if the figure was incorrect, I think Moneybarn provided Miss E with a fair opportunity to correct this when it provided the explanation document.

Moneybarn completed other credit checks, too. It noted that Miss E had defaulted on seven accounts in the past, the most recent of which was four years months before the application. The outstanding balance on these was by now only £500 and Miss E was making payments towards them. There were also two County Court Judgments, the most recent applied 32 months earlier. These had been settled by the time of the application. There was no adverse information provided after that point.

Moneybarn used Office of National Statistics data to model Miss E's day to day essential expenditure. I note that on her application Miss E only declared £100 for her monthly expenditure, so I think it was reasonable for Moneybarn to make its own calculation. To this it added a buffer amount to cover variations in its estimates. It estimated that Miss E had disposable income of around £1,334.91 a month from which she could meet her repayments.

I am satisfied these checks were necessary and proportionate in the circumstances of the lending. I think it was reasonable for Moneybarn to rely on modelling based on Office of National Statistics data. The rules¹ which relate to consumer credit state that a business may take into account statistical data unless it knows or has reasonable cause to suspect that the consumer's non-discretionary expenditure is significantly higher than that described in the data or that the data are unlikely to be reasonably representative of the consumer's situation. In Miss E's case, I don't think Moneybarn had any reason to suspect that Miss E's circumstances were significantly different to those it understood following the credit checks and modelling, and Miss E hasn't supplied any evidence to support such a claim.

¹ CONC 5.2A.19

In light of the above, I am satisfied that Moneybarn did necessary and proportionate checks before it lent to Miss E and I am also satisfied that it acted appropriately on the outcome of those checks.

Miss E also complains about the rate of interest charged under the agreement. Our investigator explained fully that Moneybarn is a sub-prime lender which specialises in lending to consumers like Miss E who have had a poor credit record. So it is understandable that the interest rate may be higher than could be obtained from a high street lender.

Looking at the documents provided to Miss E at the point of sale I can see that the interest rate charged was clearly set out. It also set out the number and amount of the monthly payments, how much Miss E was borrowing over what period and the total amount payable.

I think Miss E had enough information available to her about the interest rate and the cost to make an informed decision about whether to accept the loan. I don't think Moneybarn did anything wrong here.

In conclusion, I do not think Moneybarn acted unfairly or unreasonably when it lent to Miss E and so I do not think Miss E lost out as a result of anything Moneybarn did wrong. It follows that I do not think Moneybarn needs to do anything further.

My final decision

I do not uphold Miss E's complaint. It follows that Moneybarn No.1 Limited, trading as Moneybarn does not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 5 June 2024.

Sally Allbeury
Ombudsman