

The complaint

Mr G complains that Moneybarn No. 1 Limited ('Moneybarn') irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In November 2021, Mr G acquired a used car financed by a conditional sale agreement from Moneybarn. Mr G was required to make 36 monthly repayments of £412.00, having paid a deposit of £412. The total repayable under the agreement was £12,385.15.

The agreement was settled in July 2023.

Mr G 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 verifying his income and running credit checks.

Our investigator didn't recommend the complaint be upheld when he first looked into the complaint. And his view didn't change after Mr G sent in bank statements and further details about his financial circumstances at the time.

As Mr G doesn't agree with our investigator's findings, 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.

I'd like to reassure Mr G that I've looked at the complaint afresh and independently reviewed all the available information, including what he has said and provided in response to our investigator's view. Having done so, I am not upholding Mr G's complaint for broadly the same reasons as our investigator. I'll explain why.

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, Moneybarn took steps to assess Mr G's ability to repay. It verified Mr G's income as being £2,750 per month – although Mr G has told us his monthly average income was lower than that. Moneybarn also looked at the credit Mr G owed at the time. It didn't see any recent concerns from his credit file, although there had been some arrears around six years earlier. Moneybarn allowed the sum of £320 for his existing monthly credit commitments. I can see he was repaying a loan with monthly repayments of £260 and was also operating at least two credit cards. Mr G has told us he had other loans and also that he was relying on short term borrowing. From the credit report Mr G sent us it looks like

some loan borrowing was taken out within weeks of his being approved for the finance agreement. So I can't really say that I would have expected Moneybarn to have been aware of this. It looks like these cost Mr G an extra £100 in monthly payments, but they'd been fully paid off by May 2022.

Moneybarn says it calculated Mr G's expenditure using statistical data which it says gives average household expenditure figures specific to location and household. The regulator has said firms can estimate expenditure unless it knows or there are indicators to suggest an estimate is unlikely to be accurate. I think on balance it would have been reasonable and proportionate for Moneybarn to have taken further steps so as to be assured that Mr G would have been able to sustainably repay the borrowing. Moneybarn could have done this by gathering more detail about Mr G's financial circumstances before deciding to agree the lending, such as verifying his actual expenditure rather than relying on an estimate based on statistical data.

Based on its affordability assessment and review of statistical data, Moneybarn found that Mr G would have around £900 available in disposable income.

I can't be certain what Mr G would have told Moneybarn had it asked about his regular expenditure. I don't think Moneybarn needed to request bank statements, but in the absence of anything else, I've relied on the information contained in Mr G's bank statements as well as the payslips he's sent us. These were provided to us after our investigator first looked into his complaint to help us in getting an indication of what would most likely have been disclosed at the time.

From the payslips Mr G provided us with in the months leading up application, I can see that Mr G's net monthly income varied between £2,800 and £2,300. The bank statements though do not provide a particularly clear picture of how Mr G was spending his money and what his regular financial commitments were. Mr G has also told us about additional costs he was paying each month to support his children as well as helping family members. He also says he was paying back a debt to his father. To assist, Mr G has also set out what his typical monthly payments were and told us about issues he was having with gambling. I can see occasional gambling transactions on the statements but I can't say that what I've seen would necessarily have prompted further questions from Moneybarn, especially if most of these were funded by way of cash withdrawals.

Broadly speaking, Mr G seemed to be managing his income and outgoings well. I can see there is a high volume of unspecified bill payments. That's something that may well have prompted further enquiry by Moneybarn. The accounts were generally being managed well, with little evidence of financial deterioration. It was open to Mr G to let Moneybarn know about difficulties he may have been experiencing with his finances, such as being overcommitted and/or over-reliant on credit, if he was finding that to be the case. Realistically, in the scenario of applying for finance for a car he wanted to acquire, I wouldn't have expected him to volunteer that level of information. But equally, I can't fairly say there was enough to suggest that Moneybarn ought to have been prompted to ask further questions, had it had sight of the bank statements.

Whilst I am grateful to Mr G for the additional evidence and information he's provided, I have to look at the complaint on the basis of what Moneybarn would have found from its checks, or what it would have been likely to have seen had it carried out reasonable and proportionate checks. I think it's fair to say that more reasonable and proportionate checks by Moneybarn would have likely revealed a lower level of disposable income. But even if I were to make allowance for there being some additional expenditure each month, I still consider it likely that Moneybarn would have thought that Mr G would be left with enough disposable income for the agreement to be affordable.

For these reasons, I don't think Moneybarn acted unfairly when approving the finance application.

It follows that I think Moneybarn made a fair lending decision and I therefore won't be upholding this complaint. I realise this will come as a disappointment to Mr G.

I've considered whether the relationship between Mr G and Moneybarn might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr G or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 October 2024.

Michael Goldberg

Ombudsman