

## **The complaint**

Mr B complains that Moneybarn No.1 Limited (Moneybarn) irresponsibly granted him a hire purchase agreement that he couldn't afford to repay.

## **What happened**

My initial conclusions were set out in my provisional decision issued on 7 February 2024. In my provisional decision I explained how I intended to resolve the complaint. I said:

*In December 2018 Mr B acquired a vehicle financed by a conditional sale agreement from Moneybarn. Mr B was required to make an initial payment of £400 and 59 monthly repayments of £221.69. The total amount repayable under the agreement was £13,479.21. Mr B believes Moneybarn failed to complete adequate affordability checks. Mr B and his representative says that if it had it would've been clear the agreement wasn't affordable at the time.*

*Moneybarn disagreed. It said it carried out an adequate assessment which included credit file searches, verification of Mr B's income and statistical estimation of his non-discretionary expenditure. It said these searches showed Mr B's borrowing levels were low and he had sufficient headroom to comfortably afford the loan. It also could see that Mr B had defaulted on some previous borrowing 44 months prior, and there were no County Court Judgments on his file.*

*Our Investigator didn't recommend that the complaint should be upheld. They thought Moneybarn's checks were proportionate in the circumstances and that the decision to agree to lend was reasonable.*

*Mr B's representative didn't agree. They stated that the fact Mr B's previous hire purchase agreement was six months in arrears at the time of application should have prompted further checks. They also reiterated that Mr B had historic defaults on his credit record at the time of sale. Mr B and his representative asked for an Ombudsman to issue a final decision on the matter.*

## **What I've provisionally 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.*

*Where evidence is incomplete, inconsistent, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.*

*We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr B's complaint. Moneybarn needed to ensure that it didn't lend irresponsibly as per the rules set out in the FCA's Consumer Credit Sourcebook (CONC). In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was affordable for Mr B*

before providing it.

*In this case, there are two overarching questions that I need to answer to fairly and reasonably decide Mr B's complaint. These two questions are:*

- 1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay his loan without experiencing significant adverse consequences?*
  - If so, did it make a fair lending decision?*
  - If not, would those checks have shown that Mr B would've been able to do so?*
- 2. Did Moneybarn act unfairly or unreasonably in some other way?*

*Did Moneybarn complete a reasonable and proportionate affordability check?*

*Moneybarn was required to ensure it carried out adequate checks on Mr B's ability to sustainably afford the agreement. These checks had to be borrower-focussed and proportionate (see CONC 5.2A). What is considered proportionate will vary depending on the circumstances, such as (but not limited to): the total amount repayable, the size of the monthly repayments, the term of the agreement (CONC 5.2A.20 R), and the consumer's specific circumstances.*

*Moneybarn says that Mr B's application underwent credit and underwriting checks, and these didn't raise any concerns. His income was verified, and Moneybarn also used statistical data to estimate the level of expenditure Mr B had at the time. It felt that these searches were reasonable and proportionate in this scenario.*

*I'm not satisfied that Moneybarn gathered a reasonable amount of information from Mr B about his expenditure prior to approving the finance. I understand Moneybarn made the decision to lend on the basis that his estimated disposable income was acceptable and that it found the risk this posed to itself as acceptable. But I'm not satisfied enough consideration was given to the personal risk posed to Mr B.*

*Moneybarn hasn't provided a copy of the credit file check it completed, but in its absence Mr B has provided his own credit file copy which I feel most likely depicts a fair reflection of the information that was available at the time. At the time of the application Mr B was six months in arrears with his previous car finance agreement. I do think this ought to have indicated Mr B may have been struggling financially and so I would've expected Moneybarn to take further consideration of Mr B's specific financial situation before approving any lending.*

*I want to be clear that I've considered Moneybarn's position about the number and type of checks that it did complete. And I understand that its searches attempted to approximate Mr B's disposable income. However, considering the possibility of financial difficulties in his specific circumstance I'm not satisfied that these checks adequately gathered a proportionate amount of information as they failed to answer how much he actually had left to spend after his existing commitments.*

*Given the size of the lending, the monthly repayments, the length of agreement, and the information in Mr B's credit file, I think it would have been proportionate for Moneybarn to have verified Mr B's expenditure – including costs such as food, petrol and housing. Without knowing what his regular committed expenditure was Moneybarn couldn't have got a reasonable understanding of whether the agreement was affordable for his circumstances.*

*As Moneybarn don't appear to have sought a reasonable understanding of Mr B's total committed expenditure, I don't think it carried out reasonable and proportionate affordability*

*checks before lending. Moneybarn needed to do more in the circumstances before agreeing to lend. Without knowing what his regular committed expenditure was, Moneybarn wouldn't have got a reasonable understanding of whether the agreement was affordable for him.*

*I'm satisfied Moneybarn didn't complete proportionate affordability checks, but this doesn't automatically mean it failed to make a fair a lending decision.*

*Did Moneybarn make a fair lending decision?*

*I've considered what Moneybarn would likely have found out if it had completed reasonable and proportionate affordability checks. I can't be certain what Mr B would have told Moneybarn had it asked about his regular expenditure. I don't think Moneybarn necessarily needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Mr B's statements three months prior to the finance being approved as an indication of what would most likely have been disclosed.*

*However, Mr B and his representative have been unable to provide the requested statements. This means that Mr B has failed to provide the requested evidence for me to consider his income and expenditure any further. And so, I'm unable to see what his overall expenditure was at the time. This means I can't say that the agreement should have been considered unaffordable.*

*As Mr B and his representative haven't been able to demonstrate that his agreement was unaffordable, I can't reasonably conclude that Moneybarn ought to have known he would struggle to make the repayments due under the agreement. I appreciate that Mr B's testimony is that the borrowing was unaffordable, but the question I must consider is what Moneybarn would have been able to find out if proportionate checks had been completed. In the absence of the information already requested by our Investigator I'm unable to see what Moneybarn would have most likely found at the time had it completed proportionate checks.*

*So, it follows that I can't reasonably say that Moneybarn made an unfair lending decision.*

*Did Moneybarn act unfairly or unreasonably in some other way?*

*I'm not persuaded from the submissions made to date that Moneybarn acted unfairly or unreasonably in some other way.*

**My provisional decision**

*For the reasons I've explained, I intend to not uphold this complaint.*

I asked for both parties to provide me with any further submissions they had before I issued my decision. Mr B responded explaining the reasons that he was unable to provide further bank statements to support his case.

**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.

Whilst I appreciate the reasons Mr B has provided as to why he's unable to provide the requested bank statements, I can't say that it would be fair or reasonable to uphold his complaint without evidence that Moneybarn irresponsibly lent to him. As I can't fairly conclude that it did so from the evidence available to me, I see no reason to depart from the

conclusion I reached in my provisional decision. For the reasons already outlined I don't uphold this complaint.

### **My final decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 March 2024.

Paul Clarke  
**Ombudsman**