

## **Complaint**

Miss A complains that Moneybarn No.1 Ltd (“Moneybarn”) unfairly entered into a conditional-sale agreement with her. She’s said the agreement was unaffordable for her.

## **Background**

In November 2018, Moneybarn provided Miss A with finance for a used car. The cash price of the vehicle was £6,700.00. Miss A paid a deposit of £150 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £6,550.00. The loan had interest, fees and total charges of £6,263.62 and the total amount to be repaid of £12,813.62 (not including Miss A’s deposit) was due to be repaid in 59 monthly instalments of £217.18.

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

Miss A 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 A’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss A’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 A 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 A. During this assessment, Miss A provided details of her monthly income which it cross checked against information on the amount of funds Miss A received into her bank account each month.

Moneybarn says it also carried out credit searches on Miss A which showed that she had some adverse information recorded against her – in the form of defaulted accounts and County Court Judgements (“CCJ”). It says that it accounted for this and while Miss A also had some active existing credit commitments these weren’t excessive.

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

I’ve thought about what Miss A and Moneybarn have said.

The first thing for me to say is that bearing in mind Miss A’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 A’s actual living costs, rather than assuming Miss A’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 A’s regular living expenses as well as her income and existing credit commitments.

I’ve considered the information Miss A 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 A’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 A’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 A’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 A’s actual circumstances may well have worsened in the period since she entered into the agreement. It is also possible that Miss A may regret entering into this agreement in the circumstances she did at the time – particularly as the vehicle purchased ended up being involved in an accident.

But I don’t think that Moneybarn would have known about any of this. And I cannot reasonably conclude that proportionate checks would have shown the full extent of what Miss A 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 A 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 A when it lent to her and I'm not upholding Miss A's complaint. I appreciate that this will be very disappointing for Miss A. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 13 May 2024.

Jeshen Narayanan  
**Ombudsman**