

## **Complaint**

Miss F 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 August 2019, Moneybarn provided Miss F with finance for a used car. The cash price of the vehicle was £7,300.00. Miss F paid a deposit of £500 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £6,800.00. The loan had interest, fees and total charges of £8,958.77 and the total amount to be repaid of £15,758.77 (not including Miss F’s deposit) was due to be repaid in 59 monthly instalments of £267.09.

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

Miss F disagreed with our investigator and the complaint was 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 F’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss F’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 F 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 F. During this assessment, Miss F provided details of her monthly income which it cross checked against it obtained on the amount of funds Miss F's account was receiving each month.

Moneybarn says it also carried out credit searches on Miss F which showed defaults and more than one County Court Judgment ("CCJ") recorded against her – although it considered these to be historic. Miss F did have some active existing credit commitments but these weren't excessive.

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

I've thought about what Miss F and Moneybarn have said.

The first thing for me to say is that I think that Moneybarn should have applied a bit more scrutiny to what it had. In my view, bearing in mind the adverse credit information present on Miss F's credit file, the amount being lent, the term and total cost of the agreement, I'm satisfied that Moneybarn needed to take further steps to ascertain Miss F's actual living expenses, rather than relying on estimates of Miss F's living expenses in order for its checks to have been reasonable and proportionate here.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, despite being ample opportunity to do so, Miss F has not provided me with sufficient information that clearly shows that further information on her actual living costs at the time would have shown that she couldn't have afforded to make her payments. And I've not been provided with anything which clearly contradicts the information Moneybarn used in relation to what it estimated for Miss F's living costs, or shows that obtaining further information on Miss F's normal living costs would have led to it deciding against it lending to her.

In these circumstances, I can't reasonably conclude that Moneybarn would have made a different decision on lending even if it had asked Miss F for more information. In reaching this conclusion, I accept that it's possible Miss F's position might have been worse than what it looks like, or that it might have worsened after Moneybarn lent to her. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Moneybarn should have known this was the case when the information and evidence provided simply doesn't support it being the case that the payments were unaffordable. I say this particularly as the agreement was settled early.

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 F did go far enough, I've not been satisfied that doing more would have prevented Moneybarn from providing these funds, or entering into this agreement with her.

Overall I'm therefore satisfied that Moneybarn didn't act unfairly towards Miss F when it lent to her and I'm not upholding Miss F's complaint. I appreciate that this will be very disappointing for Miss F. 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 F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 22 April 2024.

Jeshen Narayanan  
**Ombudsman**