

## **Complaint**

Mrs I 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 and so should never have been provided.

## **Background**

In February 2019, Moneybarn provided Mrs I with finance for a used car. The cash price of the vehicle was £13,390.00. Mrs I paid a deposit of £2,000.00 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £11,390.00.

The loan had interest, fees and total charges of £5,958.36 and the total amount to be repaid of £17,348.36 (not including Mrs I’s deposit) was due to be repaid in 59 monthly instalments of £294.04.

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

Mrs I 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 Mrs I’s complaint.

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

Moneybarn says it also carried out credit searches on Mrs I which showed that she had some adverse information recorded against her. But that this was historic. And while Mrs I did have some active existing credit commitments these weren't excessive.

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

I've thought about what Mrs I and Moneybarn have said.

The first thing for me to say is that bearing in mind Mrs I'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 Mrs I's actual living costs, rather than assuming Mrs I's living expenses in order for its checks to have been reasonable here.

As Moneybarn should have done more, ordinarily I would go 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 Mrs I's regular living expenses as well as her income and existing credit commitments.

However, despite being provided with ample opportunity to do so, Mrs I hasn't provided us with anything which clearly shows me that substituting the figures Moneybarn used in its assessment (which if accurate would have shown the repayments to be affordable), for her actual living costs, would have shown the agreement to be unaffordable for her. I therefore cannot reasonably conclude that Moneybarn doing more here would have led to it making a different decision on lending to Mrs I.

So overall and having carefully considered everything, while I don't think that Moneybarn's checks before entering into this conditional-sale agreement with Mrs I did go far enough, I'm not satisfied that doing more would have prevented Moneybarn from providing these funds, or entering into this agreement with Mrs I

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I to accept or reject my decision before 30 April 2024.

Jeshen Narayanan  
**Ombudsman**