

The complaint

Mr N is complaining about Moneybarn No.1 Limited (Moneybarn). He says they were irresponsible in lending to him as the loan was unaffordable. Mr N's complaint was brought to our service by a representative but for ease I've written as if we've dealt directly with him.

What happened

In February 2018, Mr N took out a conditional sale agreement with Moneybarn to finance the purchase of a car. He paid a deposit of £2,000 and borrowed £10,900 - the cash price of the vehicle was £12,900. The agreement required Mr N to make 41 monthly repayments of £429.49. Mr N's repayments were sporadic throughout the agreement, with numerous rejected direct debits, but the agreement was settled in full in October 2021 following an insurance write off.

In June 2023, Mr N complained to Moneybarn, saying they shouldn't have lent to him because the loan was unaffordable. He said he was receiving a low and unreliable income, earning around £1,000 per month at the time.

In their response, Moneybarn said they had carried out enough checks before deciding to lend to Mr N. They said they'd checked his credit report and used Mr N's payslips to verify his monthly income was £2,400. They added that they'd made reasonable considerations for his existing expenses and decided the agreement was affordable for Mr N.

One of our investigators then looked into the complaint but didn't uphold it, saying that she thought Moneybarn had completed proportionate checks and made a fair lending decision.

Mr N disagreed. He said he definitely wasn't earning £2,400 a month and had defaults on his credit file at the time which is why Moneybarn had given him a guarantor loan. He said his bank statements showed he'd not had that kind of income at the time. Mr N asked for a decision and the complaint's come to me.

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.

Having done so, I'm not upholding Mr N's complaint for broadly the same reasons as our investigator - I'll explain more below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did Moneybarn carry out proportionate checks?

Moneybarn said they conducted a full credit search and checked Mr N's income to his payslips.

Whether or not these checks were proportionate depends on various factors, including the term of the loan, cost of credit, and overall amount repayable – as well as what Moneybarn found during their checks. Given the loan was for five years, at a high interest rate, and Mr N would need to pay back over £17,000 over that time, the checks needed to be thorough.

Moneybarn haven't sent us a copy of the credit report they used. They've told us it showed Mr N had active credit balances totalling around £12,137 with monthly repayments totalling around £463. Moneybarn said Mr N's credit report showed no defaults or county court judgments against him, and apart from two cash advances in the preceding three months said there weren't any other adverse markers on the credit report.

Mr N's raised concerns about Moneybarn's checks. He said he wasn't earning the £2,400 Moneybarn said he was, and he said he definitely had defaults on his credit file at the time of lending which is why he had a guarantor loan from Moneybarn.

I've considered Mr N's two points. Moneybarn have sent us copies of the payslips they looked at. Moneybarn had two monthly payslips, for December 2017 and January 2018, both showing Mr N's name and address, and both showing net pay of £2,400. Looking at the year-to-date figures also suggests a monthly average of £2,400. Whilst I agree with Mr N's comment that his bank statements show he wasn't earning this amount, Moneybarn were entitled to rely on the payslips they received as evidence of Mr N's income and didn't need to obtain bank statements. I also note the bank statements Mr N's sent us are for a different account to the one he arranged to pay Moneybarn from so it's possible he was receiving this income into a different account.

I have sent Mr N copies of the payslips Moneybarn provided to us but haven't received any further comment from him on this point.

Turning to the Mr N's comments about his credit file, the conditional sale agreement that's the subject of this complaint wasn't a guarantor loan, and I've seen no evidence Mr N had any other loan from Moneybarn. Unfortunately, the credit information Mr N's provided doesn't go back far enough to show what would have been visible to Moneybarn at the time of his application. In the absence of independent documentation, I have to decide what Moneybarn is most likely to have seen. I consider it likely that Moneybarn's summary is an accurate summary of the information available to them at the time and there was no evidence of defaults or other adverse information.

In summary, Moneybarn checked Mr N's income to payslips and estimated his spending on credit commitments from his credit file. This showed he had £1,937 per month available for his living expenses and this credit agreement. Deducting the payments for this agreement takes that figure to around £1,500 per month to cover rent, utilities, food and fuel and other non-discretionary expenditure. Although Moneybarn didn't carry out any estimate of Mr N's expenditure, I don't think they needed to. The regulations and guidance in place at the time didn't require Moneybarn to estimate his expenditure, Mr N wasn't using much running credit, and there weren't any indicators in his credit file that he was spending beyond his means. In addition, £1,500 seems a reasonable amount to cover necessary expenditure at the time. On that basis, I'm satisfied Moneybarn's checks were proportionate.

Did Moneybarn make a fair lending decision?

Having concluded that Moneybarn carried out proportionate checks, I need to decide whether they made a fair lending decision.

As I've set out above, Moneybarn's findings suggested that Mr N would have £1,500 per month available to him after paying his existing creditors and after paying for this agreement. So I think Moneybarn reached a reasonable conclusion in deciding the repayments would not have a significant adverse impact on Mr N's financial situation. And it follows I'm satisfied their lending decision was fair.

My final decision

As I've explained above, I'm not upholding Mr N's complaint about Moneybarn No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 18 July 2024.

Clare King
Ombudsman