

Complaint

Mr P complains that Moneybarn No. 1 Limited ("Moneybarn") unfairly entered into a conditional sale agreement with him. He's said that the payments to the agreement were unaffordable, so he should not have been lent to.

Background

In February 2018, Moneybarn provided Mr P with finance for a used car. The purchase price of the vehicle was £4,795.00. Mr P paid a deposit of £400 and entered into a conditional sale agreement, which had a 48-month term, with Moneybarn for the remaining £4,395.00.

The loan had interest and charges of £5,517.77. This meant that the total amount to be repaid of £9,912.77 was due to be repaid in 47 monthly instalments of £210.91.

Mr P complained that the agreement was unaffordable and so should never have been provided to him. Moneybarn didn't uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

The complaint was considered by one of our investigators. She thought that Moneybarn had done anything wrong or treated Mr P unfairly. So she didn't recommend that Mr P's complaint should be upheld.

Mr P 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 Mr P's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Mr P'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 any lending was sustainable for Mr P before providing it.

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 Mr P provided details of his monthly income, which it verified against copies of payslips which Mr P provided in support of his declaration. It also says that it carried out credit searches on Mr P, which had shown that he had moderate existing credit commitments and although he had defaulted accounts the most recent of these was almost four years prior to this application.

In Moneybarn's view, when payments to the amount Mr P already owed were deducted from his monthly income he was left with enough for the monthly payments for this agreement and a reasonable amount for his living expenses.

On the other hand, Mr P says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr P and Moneybarn have said.

The first thing for me to say is that I'm not persuaded that the checks Moneybarn carried out did go far enough. For example, I'm not persuaded that it was reasonable not to obtain more detailed information on Mr P's living costs given the cost for credit, the term of the loan as well as the monthly payment. In these circumstances, I think that Moneybarn ought to have done more to ascertain Mr P's regular living costs.

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 having been given significant opportunity to do so, Mr P has not provided us with sufficient information to be able to assess what his living costs were like at the time he entered into this agreement with Moneybarn. In any event, Mr P has told us that he was spending £800 to £900 on his bills each month. Even if I take him at his word on this, when I deduct this amount from what he received each month, he still had sufficient funds to be able to make the required monthly payments.

So, in these circumstances, I think that Moneybarn obtaining further information is likely to have led it to conclude that when Mr P's regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Overall and having carefully considered everything, while I'm not persuaded that Moneybarn's checks before entering into this conditional sale agreement with Mr P did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Moneybarn from providing these funds, or entering into this agreement with him.

As this is the case, I don't think that Moneybarn acted unfairly or unreasonably towards Mr P. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr P. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 15 May 2024.

Jeshen Narayanan
Ombudsman