

The complaint

Miss W complains of a number of issues she's had with Secure Trust Bank Plc trading as Moneyway.

What happened

In December 2018, Miss W applied for and received a hire purchase agreement with Moneyway to finance a car purchase.

Date	Amount of credit	Term	Monthly repayment	Total repayable
8 Dec 2018	£13,361	60 months	59 x £403.61 1 x £413.61	£24,226.60

In June 2023, Miss W received a default notice regarding this agreement in error. This led her to seeking advice about the agreement. She complained to Moneyway that she felt she'd been misled from the outset as she wasn't aware the interest was "front loaded" and couldn't be reduced by paying off lump sums. She says she was told she could make lump sum payments to reduce the amount payable. When she came to do so, she was told that wasn't right and lump sums would only reduce the monthly repayment not the interest due.

Miss W complains too that extras were added on when she entered the agreement which also attracted interest. And she says Moneyway didn't carry out adequate checks to ensure she could repay the credit.

Moneyway looked into Miss W's complaint. It agreed it had issued the default notice in error and offered £50 as compensation for that, but it rejected the rest of her complaint. Moneyway explained the terms and conditions of the agreement are clear about how interest is worked out and how lump sum payments would be treated. It said if a customer settles the entire agreement early, they wouldn't be charged the full amount of interest.

Moneyway said the 'extras' were items such as GAP insurance and a sealant which safeguards paintwork. They were added at the point of sale and were clearly listed on the invoice forming part of the cash price of the car. It said it was satisfied it had carried out sufficient checks to ensure the agreement was affordable for her.

Miss W was unhappy with Moneyway's response, so she referred her complaint to this service. One of our investigators looked into it. She reached the same outcome as Moneyway, but felt it should have done more checks before agreeing to lend to Miss W. But our investigator thought that even if Moneyway had done more to check the agreement was affordable, it would likely have reached the same decision to lend to her.

Miss W was unhappy with our investigator's opinion of the complaint. As there was no agreement, the complaint has been passed to me for a decision.

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.

Miss W says she was misled about interest and the payment of lump sums

Unfortunately neither party has been able to provide any recordings of what was said at the point of sale about interest and the treatment of lump sum payments. Each party has a different version of events, in that Miss W says she was misadvised, but Moneyway says she was given the correct information. As there is no agreement about what Miss W was told verbally, I have to rely on the paperwork available – what she was told in writing.

The paperwork I've relied on here is the credit agreement. It sets out the total amount payable under the agreement. Under the heading "*Early repayment*" it says, "*You have the right under section 94 of the Consumer Credit Act 1974 to repay early in full or in part... Unless you repay in full, any early repayment you make will not reduce the duration of the agreement but, if you have given us notice of your intention to pay an amount early, we will recalculate the amount of the remaining monthly instalments to reflect the way in which the Total amount payable has been reduced by the early repayment.*". Miss W signed the agreement on 8 December 2018 confirming that she agrees to be legally bound by it.

So Miss W could have saved interest if she repaid the agreement early in full. But the agreement is clear that partial early repayment will not reduce the term or total amount payable, but the monthly payment will reduce.

Based on the evidence I have, I can't reasonably conclude that Miss W was misled about how the agreement would work if lump sum payments were made. It follows that I don't uphold this aspect of her complaint.

Miss W says she was unaware of the cost of 'extras' added to the agreement

I've seen the invoice. It lists the price of the car as £11,995 and goes on to list the following:

- "Accessories" – a mat set – for £57.50,
- "Pre-tax items" – the paint protection product mentioned above – for £332.50
- "Post-tax items" – GAP insurance – for £898.

It gives the total as £13,361 which ties up with the amount of credit set out on the credit agreement. I think it's clear that the items formed part of the contract which is financed by the credit agreement and Miss W ought reasonably to have been aware of them. If she was unhappy with them being added to the credit agreement, she could have raised concerns about them at the time. I don't uphold this aspect of her complaint.

Miss W says Moneyway didn't carry out adequate checks to ensure she could afford to repay the credit

We've set out our approach to complaints about unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Moneyway needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Miss W irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Moneyway carry out reasonable and proportionate checks to satisfy itself that Miss W was in a position to sustainably repay the loan?

- If not, what would reasonable and proportionate checks have shown at the time?
- Did Moneyway make a fair lending decision?
- Did Moneyway act unfairly or unreasonably towards Miss W in some other way?

It's not about Moneyway assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Miss W. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Moneyway says it carried out its usual checks on Miss W's application and was satisfied with the results. It says it checked her income and obtained a payslip from her as evidence of it. It checked her credit report in order to get an understanding of her other credit commitments and how they were run. It used this and information provided by the Office for National Statistics (ONS) to work out her expenditure. Moneyway said Miss W's essential and discretionary expenditure were lower than her income, so it was satisfied the agreement was affordable for her.

I've looked at the information Moneyway obtained as a result of its checks. Miss W's credit report showed she had a relatively low amount of credit elsewhere which was generally well run. However, she had missed a payment in the previous month to a mail order account and had marginally exceeded the credit limit on it as a result.

While Moneyway's income and expenditure calculations for Miss W showed the agreement to be affordable, her monthly disposable income over and above the repayments wasn't large. And she was entering an arrangement whereby she'd need to make a significant payment (£403) for a sustained period of time (5 years). Taking this into account with her recent missed payment, I think Moneyway ought to have taken a closer look at her financial situation to ensure she could afford the agreement on a sustainable basis – that is she should be able to repay the credit without undue difficulty, while being able to meet other commitments and without having to borrow further.

As I've said, there's no set list of checks it ought to have done, but it might have chosen to ask to see Miss W's bank statements to properly understand her income and expenditure. Miss W has provided us with copies of her bank statements for three months prior to entering into this agreement and I've looked closely at those.

Miss W's account was reasonably well run. While she used her overdraft regularly, the account comfortably returned to credit each month and she was meeting her commitments. It is evident that Miss W was spending what she received each month, but much of the expenditure appears to have been discretionary rather than essential. Her account doesn't demonstrate that she was struggling financially or that she couldn't afford this new commitment.

Taking everything into account, I don't think Moneyway would have reached a different lending decision had it carried out further checks. It follows that I think it reached a fair decision to lend to Miss W. If Miss W finds herself in financial difficulty, I would encourage her to speak to Moneyway to reach an affordable payment plan. I'd remind Moneyway of its obligation to treat customers in financial difficulty fairly.

Moneyway incorrectly issued a default notice

I can see that Miss W has fallen into arrears from time to time on this account for various reasons. The account notes show these to include a change in payday, issues caused by the pandemic in 2020, an unexpected bill and unemployment. Ultimately Moneyway issued a

default notice in June 2023.

Miss W contacted Moneyway to discuss the situation and it very quickly agreed it had sent the notice incorrectly as the arrears were not sufficient to warrant such action. It offered her £50 for the inconvenience its mistake caused her. I think that is fair and reasonable in the circumstances. I understand that Miss W hasn't yet accepted Moneyway's offer. If she now wishes to do so, I'd suggest she contacts Moneyway to arrange for it to be paid to her.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 12 June 2024.

Richard Hale
Ombudsman