DRN-4804814

Financial Ombudsman Service

Complaint

Mr J 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 November 2021, Moneybarn provided Mr J with finance for a used car. The purchase price of the vehicle was £12,250.00. Mr J paid a deposit of £500 and entered into a conditional sale agreement, which had a 60-month term, with Moneybarn for the remaining £11,750.00 he needed in order to complete his purchase.

The loan had interest and charges of £12,591.63. This meant that the total amount to be repaid of £24,341.63 (not including Mr J's deposit) was due to be repaid in 59 monthly instalments of £412.57.

Mr J 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 didn't think that Moneybarn had done anything wrong or treated Mr J unfairly. So she didn't recommend that Mr J's complaint should be upheld.

Mr J 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 J's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Mr J'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 J 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 J provided details of his monthly income, which it cross-checked against information it obtained from credit reference agencies on the amount of funds that were going into Mr J's account each month.

It also says that it carried out credit searches on Mr J, which had shown that he had no defaulted accounts or County Court Judgments ("CCJ") recorded against him. Furthermore, while Mr J had some existing commitments this was low compared to his validated income.

In Moneybarn's view, when the amount Mr J already owed plus a reasonable amount for Mr J's living expenses (based on average data) were deducted from his monthly income the monthly payments for this agreement were still affordable.

On the other hand, Mr J says that the payments were unaffordable and there was no way he was going to be able to maintain them.

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

The first thing for me to say is that given what the credit search had shown, I think that there is a reasonable argument for reaching the conclusion (as our investigator did) that the checks Moneybarn carried out did go far enough in this instance. Arguably there was nothing to indicate that Mr J might have been experiencing difficulty or called into question the information that had been gathered and what was being used.

At the absolute best, there may be an argument for saying that the cost of the credit and the term of the loan meant that Moneybarn perhaps ought to have done more to ascertain Mr J's actual living costs, rather than relied on estimates of this.

However, having considered the information Mr J has provided us with on this matter, when what he was paying to his actual committed living expenses are added to his active credit commitments and deducted from his income, he, at the time at least, appears to have enough left over to make the repayments required for this agreement. So I'm not persuaded that Moneybarn going further would even have made a difference.

I accept it's possible that Mr J's actual circumstances at the time might have been worse than what proportionate checks are likely to have shown. But I don't think that Moneybarn could have known or anticipated this. This is especially as Mr J hasn't provided anything to support this having been the case either.

In these circumstances, I think that even if Moneybarn had attempted to find out more about Mr J's regular living expenses this is unlikely have led it to conclude that Mr J did not have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Overall and having carefully considered everything, I'm satisfied that Moneybarn doing more and potentially going further than what proportionate checks would have required, still wouldn't have stopped it from providing these funds, or entering into this agreement with Mr J.

As this is the case, I don't think that Moneybarn acted unfairly or unreasonably towards Mr J. So I'm not upholding this complaint. I appreciate that this will be disappointing for

Mr J. 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 J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 25 June 2024.

Jeshen Narayanan
Ombudsman