

Complaint

Ms L 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.

Background

In February 2019, Moneybarn provided Ms L with finance for a used car. The cash price of the vehicle was £4,999.00. Ms L paid a deposit of £100 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining amount needed to complete this purchase. The loan had interest, fees and total charges of £4,172.84 and the total amount to be repaid of £9,071.84 was due to be repaid in 59 monthly instalments of £153.76.

Ms L's complaint was considered by one of our investigators. He didn't think that Moneybarn had done anything wrong or treated Ms L unfairly. So he didn't recommend that Ms L's complaint should be upheld.

Ms L 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 Ms L's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Ms L'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 Ms L 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 Ms L. During this assessment, Ms L provided details of her monthly income which it cross checked against information from credit reference agencies on the amount of funds Ms L received into her main bank account each month.

Moneybarn says it also carried out credit searches on Ms L which showed that she had some adverse information in the form of defaulted accounts recorded against her. But the most recent was approaching a year and a half prior to this application. It also says that it accounted for this and while Ms L also had some active existing credit commitments these weren't excessive.

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

I've thought about what Ms L and Moneybarn have said.

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

As Moneybarn should have done more, I've gone 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 Ms L's regular living expenses as well as her income and existing credit commitments.

I've considered the information Ms L has provided us with. To begin with, I wish to make it clear that I'm not going to carry out a forensic analysis of Ms L's bank statements to establish whether the monthly payments were affordable for her. I'm simply going to try and get some idea of what Moneybarn is likely to have found out about Ms L's living expenses had it done proportionate checks.

I say this because the information provided appears to show that when Ms L's discernible committed regular living expenses are combined with her credit commitments and then deducted from the funds she was receiving at the time, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

It looks like the reason why Ms L may have had difficulty making her repayments is to do with factors other than her regular living expenses. And I accept that if Moneybarn had seen this it's possible – but by no means certain – that it might have reached a different lending decision here. But the reality is that Moneybarn didn't see this information.

Furthermore, I don't think that reasonable and proportionate checks would have extended into Moneybarn requesting copies of Ms L's bank statements (which have shown me why Ms L might have gone on to have difficulty). As I've said, Moneybarn simply needed to find out more about Ms L's regular living costs. And requesting bank statements wasn't the only way that it could have done this as it could have instead requested information such as copies of bills from her.

So overall and having carefully considered everything, while I accept that Moneybarn's checks before entering into this conditional-sale agreement with Ms L did not go far enough, I'm nonetheless satisfied that doing more won't have prevented Moneybarn from providing these funds, or entering into this agreement with her.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 15 July 2024.

Jeshen Narayanan
Ombudsman