

The complaint

Mr H says Moneybarn No. 1 Limited trading as Moneybarn, irresponsibly lent to him. This is because it didn't carry out proportionate checks before lending. If it had made better checks then it would have seen that his financial situation was poor. He says the lending made his situation worse and so Moneybarn shouldn't have lent to him.

Mr H's complaint has been made by a representative. For ease of reading, I'll refer to Mr H's representatives' comments as being from Mr H.

What happened

This complaint is about a finance agreement Moneybarn provided to Mr H in November 2017 to purchase a used car. The information I have been provided about the lending shows that Mr H borrowed £7,673 to purchase the car. He paid an initial amount of £300 and he agreed to make a further 59 payments of £245.81. This meant that the total Mr H would pay was £14,802.79. I understand the agreement has been repaid in full.

Mr H has complained to Moneybarn. It didn't uphold his complaint saying that it thought the finance was assessed fairly and the amount it lent was affordable to him. Mr H didn't agree with this and brought his complaint to the Financial Ombudsman Service

Our Investigator didn't uphold Mr H's complaint. He didn't think it was clear that Moneybarn had made proportionate checks before lending. So, our Investigator looked at what Moneybarn would likely have seen if it had made better checks. Having done this, he didn't think that this information would have shown Moneybarn that the lending was unaffordable and so he wasn't persuaded that Moneybarn had made an unfair lending decision.

Mr H didn't agree with our Investigator. He said that his disposable income was only £343 per month. After the loan repayment he would be left with about £97 per month, and this would likely have been used up by car running costs and so he had too little left over for the duration of the loan. He also had a history of bad credit. All of this meant that Moneybarn shouldn't have lent to him.

There was some further correspondence, but our Investigator and Mr H didn't reach agreement. No new issues were raised.

Because Mr H didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the credit in a sustainable way?
 - a. if so, did Moneybarn make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?
2. Did Moneybarn act unfairly or unreasonably in some other way?

And, if I determine that Moneybarn didn't act fairly and reasonably when considering Mr H's application, I'll also consider what I think is a fair way to put things right.

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Moneybarn says it asked Mr H what his income was and he said that it was around £2,200 a month. It said that it checked that this was a reasonable fit for his stated occupation and verified it using some information from a credit reference agency. Moneybarn says that it also looked at some payslips and bank statements to confirm his income.

Moneybarn says it also looked at some information from his credit report. This showed that Mr H didn't have any other current lending. But it did show that he'd had some credit repayment problems in the past. He had two County Court Judgements ('CCJ') the most recent one being from 31 months before the finance was advanced. And he had defaulted on some credit around 19 months before the loan application. He still had outstanding balances to repay of just over £2,000 on this credit, but he was now making repayments towards it. I don't think Moneybarn needed to look into this adverse credit further.

But this was a long-term lending agreement and Mr H would be repaying a reasonable amount each month for five years. So even if I accept that Moneybarn likely determined what Mr H's income was, I think it should also have considered what his expenditure was to ensure he could sustainably repay the loan. It doesn't seem to have done this at all, other than looking at what was on his credit file.

And whilst Moneybarn has outlined the checks it said it did, it hasn't been able to fully evidence the checks themselves, it only has a summary of the information it gathered. It can't provide the bank statements or the payslips it said it looked at. So, I can't be certain of what it actually considered before lending.

Given this, I can't be satisfied that these checks Moneybarn made were reasonable and proportionate.

Would reasonable and proportionate checks have shown that Mr H would be able to repay the credit in a sustainable way?

I've gone on to consider what Moneybarn would likely have found out had reasonable and proportionate checks been carried out.

Mr H hasn't been able to provide a copy of his credit report. But it has been established that he didn't have any active credit when he applied for the finance with Moneybarn. He was maintaining all his regular bill payments and there were no indications of any recent financial difficulties in the credit reference agency data.

Mr H had some historic arrears and CCJ's. But these were a significant time in the past and Mr H seemed to be maintaining the repayments he needed to make to these when this lending was made. So, I wouldn't have expected Moneybarn to decline this application just because Mr H had some historic financial problems. I would have expected Moneybarn to take these into consideration when making their lending decision.

Mr H has also provided copies of his bank statements for the period from August 2017 to November 2017. I accept that this might not be exactly what Moneybarn would've seen at the time, even though it says it did have sight of some of Mr H's bank statements. But I think it would've found out similar information if it had made proportionate checks. And I think they give a good indication of what Moneybarn would likely have taken into consideration had it asked Mr H to prove his income and committed expenditure before lending.

The bank statements show that Mr H's monthly income was just over £2,300 (he was paid weekly). His expenditure was around £1,900 each month. A large part of this was a payment to his partner for what could be between about £1,350 and about £1,600 per month. The amount wasn't fixed so I'm assuming that there was an element of discretionary spending encompassed in this. Mr H seems to spend up to the £1,900 a month on household bills. So, it's reasonable to say that Mr H did have some spare income each month and this was enough to make the loan repayments.

Mr H has said that once some car costs are added to the loan amount then his total expenditure would come closer to his full income. But Mr H already seems to have been paying some of these costs already and so I don't think it's necessarily reasonable to take into account a notional amount for this.

And I don't think it's fair to specifically say a loan wouldn't be affordable due to expenses Mr H may incur when there is no certainty or commitment around them. And it's reasonable to expect that Mr H could budget around these, given his income and other expenditures.

So, while I appreciate this will come as a disappointment to Mr H, I'm satisfied that, had Moneybarn carried out reasonable and proportionate checks, then there's no valid reason why they wouldn't have found the finance to be sustainably affordable. Therefore, I won't be asking them to refund all, or part of the payments Mr H paid, or of any interest and fees he may have been charged.

Did Moneybarn act unfairly or unreasonably in some other way?

I haven't seen anything to make me think Moneybarn acted unfairly or unreasonably in some other way.

Lastly, Mr H has made reference to other decisions the Financial Ombudsman Service has made, a crucial part of our service and the way we consider complaints is that we consider each complaint on its own merits and its own individual circumstances. So, even if we have reached a different outcome on what Mr H feels are similar complaints it doesn't necessarily follow that I'll reach the same decision in this complaint.

My final decision

For the reasons explained above I don't uphold Mr H's complaint about Moneybarn Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 October 2024.

Andy Burlinson
Ombudsman