

## **The complaint**

Mr J complains about Moneybarn No.1 Limited's ("Moneybarn") decision to lend him.

Mr J has been represented. For clarity, I've only referred to Mr J throughout this decision.

## **What happened**

Mr J entered into a conditional hire agreement with Moneybarn in November 2019 to acquire a used car. The car cost £4,000 and under the agreement, Mr J was required to make 46 monthly payments of £152.93. Interest charges of £3,034.78 were applied to the agreement and the total amount payable under the agreement was £7,034.78.

In May 2023, Mr J complained to Moneybarn and said it hadn't carried out sufficient affordability or creditworthiness checks at the time of lending to him. Mr J said the relationship between Moneybarn and him was unfair as it didn't establish whether the lending was suitable for him. He also said that his income at the time was around £1,500 and if sufficient checks had been completed, it would have been clear that the repayments under the agreement were unaffordable. He also said he had multiple defaults showing on his credit file and he had taken out payday loans prior to the lending.

Moneybarn issued its response to Mr J's complaint. It said it had carried out a credit check before agreeing to lend to Mr J, it confirmed his income as £1,876.22 by reviewing payslips he provided and Mr J confirmed his employer. It said it could see that Mr J had defaulted accounts, but these were from around 20 months before he entered into the agreement and it could see that Mr J was making repayments towards the defaulted balances. It said whilst Mr J's repayment history was sporadic, the arrears accrued due to a change in his financial circumstances, which Mr J had told it was due to an unexpected bill and moving home. It said it had supported Mr J through exit options and granting payment holidays. It didn't uphold Mr J's complaint.

Unhappy, Mr J referred his complaint to this service and reiterated his complaint. He said to put things right, he wanted to be put back into the situation he was in prior to entering into the conditional sale agreement.

Our investigator looked into the complaint. but he thought Moneybarn had no reason to believe that Mr J couldn't afford the repayments under the agreement. He said he didn't think Moneybarn had completed proportionate checks. He said he hadn't been provided with any information to show what Moneybarn would have seen had it completed proportionate checks.

Mr J disagreed and sent us a copy of his credit file and some bank statements.

Our investigator considered this information. He said that the credit file showed that both Mr J's credit cards had low limits and had been managed well. He said there was one account with two payments in arrears at the time the lending was approved, but this had been reduced from five payments in arrears. He also said bank statements confirmed the lending was affordable and regular committed expenditure didn't exceed £50 per month. So he said even if Moneybarn had completed further checks, it would have lent to Mr J.

Mr J disagreed. He said that whilst Moneybarn had recorded a good credit score, his actual credit score was low at the time of borrowing. He said a third party debt collection agency that was collecting on another lender's behalf and this should have shown that he had

problems making payments. He also said that he had to terminate the agreement early in May 2021 and that he had to borrow money from family members to make repayments. He said his monthly income was around £1,500 and his outgoings were around £885.

As Mr J remains in disagreement, the case has been passed to me to decide.

### **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.

Where evidence is incomplete, inconsistent or contradictory, I reach my view on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

I'm satisfied this complaint is one that this service can consider.

We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr J's complaint.

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 affordable for Mr J before providing it.

In this case, I think there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr J's complaint. These two questions are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr J would be able to repay his loan without experiencing significant adverse consequences?
  - If so, did it make a fair lending decision?
  - If not, would those checks have shown that Mr J would've been able to do so?
2. Did Moneybarn act unfairly or unreasonably in some other way?

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. I've carefully thought about what this means for Mr J's case.

In this case, Moneybarn has provided us with system notes showing the checks it carried out before making a decision to lend to Mr J. I can see from these checks Moneybarn recorded Mr J's income as £1,000, it recorded that he was employed full time and his credit score was relatively high. Whilst Moneybarn said it verified Mr J's income to be £1,876.22 by looking at his payslips, it hasn't provided a copy of these. It also said it reviewed Mr J's credit commitments and calculated his non-discretionary expenditure as £860.08.

Moneybarn doesn't have a copy of the information it obtained from carrying out a credit check. However, Mr J has provided a copy of his credit file. I appreciate given the lapse of time, the credit file won't show all the information that was on the credit file at the time the lending was approved, as records are likely to have dropped off. However, in the absence of any other information, I've relied on the information on the credit file submitted by Mr J.

The credit file shows Mr J had around three credit accounts on his credit file at the time of the lending. Two credit card accounts were up to date. There was one home credit loan

which was in arrears by two months. The history of this account showed the arrears had been reduced going from five monthly payments in arrears to two months in arrears at the time the lending was approved. The credit report doesn't show any defaults listed prior to October 2019 and neither does it list any county court judgements. However, Moneybarn said in its final response that Mr J had defaulted on previous borrowing around 20 months before the application was approved. It said Mr J was making payments towards the defaulted balances. I'm prepared to accept that Mr J's credit file likely showed at the time the application was made some defaults recorded around two years prior.

I think Moneybarn should have carried out further checks before deciding to lend to Mr J. I say this because Moneybarn's notes list Mr J as being a tenant who had lived at his current address for six months. But Mr J didn't declare any monthly expenses as part of his application. I think this in itself should have prompted Moneybarn to carry out further checks to determine whether it was fair to lend to Mr J. I note that Moneybarn has said it carried out its own checks on Mr J's expenditure, but it hasn't confirmed a breakdown of its calculations and I don't consider that an estimate in these circumstances is borrower focused and neither do I consider that it is appropriate given that the agreement was due to last around four years. Moneybarn was also aware that Mr J had adverse information reported to his credit file within the two years prior to the agreement being taken out.

Having carefully considered this, I don't think the checks Moneybarn carried out were proportionate. I think it would have been reasonable for it to carry out some further checks to satisfy itself that Mr J would be able to make the monthly repayments without experiencing significant adverse consequences.

In light of this, I've gone on to consider what I think proportionate checks would have likely shown.

I've thought about what a proportionate check could look like considering the terms of the agreement. In this case, the agreement was due to last around four years, the purpose of the lending was for an asset and the repayment was around £150. Given the amount of the monthly payments and that the payments were due to last for around four years, I think Moneybarn should have also asked for information about Mr J's expenditure.

We've obtained bank statements which demonstrate Mr J's circumstances at the time he applied for the finance. To be clear, I'm not saying that Moneybarn was required to obtain these before lending to Mr J. Instead, I've reviewed the bank statements because I think the information they contain is what is needed to reconstruct what a proportionate check may have looked like. I also accept that if Moneybarn had obtained information from Mr J about his income and his expenditure at the time the agreement was taken out, this may have shown something different. However, in the absence of anything else from Moneybarn to demonstrate what any other checks would have shown, I think it's reasonable to place considerable weight on the bank statements as an indication as to what the Mr J's circumstances likely were at the time.

Having reviewed the bank statements for two months before the lending commenced, they show that Mr J was receiving consistent payments into his account weekly. The average income into the account from Mr J's wages across the two months was around £2,000. Having calculated Mr J's regular monthly contractual payments, which include, but is not limited, to payments for utilities, communication providers, insurance payments, and other creditors, I can see that Mr J had a disposable income even after the payments owed under the agreement were deducted. The average disposable income, after the payments under the agreement were deducted, was £1,500. I note that Mr J was making payments to third party debt collector, however the payments were around £5 a week and these were being regularly paid. I don't think the payments being around £20 a month would have caused any concern to Moneybarn. And so, I'm satisfied that further checks would have shown Mr J had enough disposable income each month to make the repayments under the agreement.

Overall, I'm satisfied that even if Moneybarn had carried out proportionate checks, it would have still been fair and reasonable for it to lend to Mr J. And I think the checks would have shown Mr J was able to make the repayments owed under the agreement without experiencing significant adverse consequences.

*Did Moneybarn act unfairly or unreasonably in some other way?*

Mr J said he had difficulty making the payments towards the agreement and had to terminate the agreement early. I've reviewed the notes on the file. These show that Mr J called Moneybarn in January 2020 and said he was having difficulty making a payment due to an expected bill. In March 2020, he said he was having difficulty making a payment due to moving home. Moneybarn granted payment holidays due to the Covid-19 pandemic.

In April 2021, Mr J told Moneybarn he wanted to discuss his exit options as he wanted to change the car. Mr J has told this service he had to terminate the agreement however, the agreement was settled in full in May 2021, following an early settlement quote being provided to Mr J. Mr J didn't mention any financial difficulties to Moneybarn in April 2021.

Moneybarn was obliged to treat Mr J with forbearance and due consideration if he was in financial difficulties. Having reviewed the history of the account and the notes, I can see when Mr J had payment difficulties on two occasions, Moneybarn responded with forbearance and granted payment holidays and arranged a payment plan. Mr J brought his account up to date and the account was settled in full.

Having carefully considered this, I'm satisfied that Moneybarn treated Mr J with forbearance and due consideration and that it didn't act unfairly or unreasonably in any other way.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 ("Section 140A") would lead to a different outcome. However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr J or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. It follows that I'm not asking Moneybarn to do anything further.

### **My final decision**

I don't uphold 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 21 January 2025.

Sonia Ahmed  
**Ombudsman**