

## **Complaint**

Mr M complains that Moneybarn No.1 Limited (“Moneybarn”) unfairly entered into a conditional sale agreement with him. He’s said that the proper checks weren’t carried out and he was provided with finance that was unaffordable.

## **Background**

In March 2019, Moneybarn provided Mr M with finance for a used car. The purchase price of the vehicle was £8,550.00. Mr M didn’t pay a deposit and entered into a 60-month conditional sale agreement with Moneybarn to fund the transaction.

The loan had interest, fees and total charges of £8,457.93 and the total amount to be repaid of £17,007.93 was due to be repaid in 59 monthly instalments of £288.27.

In March 2024, Mr M complained that the agreement was unaffordable and so should never have been provided to him. Moneybarn said that its checks confirmed that the finance was affordable and so it didn’t think that it had done anything wrong and it was reasonable to lend. Mr M remained dissatisfied and referred his complaint to our service.

Mr M’s complaint was considered by one of our investigators. She didn’t think that Moneybarn had done anything wrong or treated Mr M unfairly. So she didn’t recommend that Mr M’s complaint should be upheld.

Mr M 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 M’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr M’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 M 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 M provided details of his monthly income which it cross-checked against information it received from credit reference agencies on the amount going into his main bank account. It says it also carried out credit searches on Mr M which did show a couple of defaulted accounts albeit it as these were from over a year prior to this application it considered them to be historic. Moneybarn says that it did not see any county court judgments ("CCJ") recorded against Mr M, although Mr M disputes this and says that he had one recorded against him in 2017.

In Moneybarn's view, when the amount owing plus a reasonable amount for Mr M's living expenses were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr M says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

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

The first thing for me to say is that unlike our investigator, I don't think that the checks Moneybarn carried out did go far enough. I don't think it was reasonable to rely on an estimate of Mr M's living costs given there was some adverse information on his credit file. I also think that these further checks would have been required irrespective of whether Moneybarn was aware of the CCJ Mr M says he had at the time. So I don't think that the situation regarding the CCJ is crucial here.

As Moneybarn didn't carry out sufficient checks, I've gone on to decide what I think Moneybarn is more likely than not to have seen had it obtained further information from Mr M. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected Moneybarn to have had a reasonable understanding about Mr M's regular living expenses as well as his income and existing credit commitments.

While Mr M has said that Moneybarn did not check his income, Moneybarn did take steps to cross-check Mr M's declaration of income against the funds going into his main bank account and this did not indicate Mr M was receiving less funds into his account each month, I'm satisfied that it was entitled to rely on Mr M's declaration of income. Indeed the statements Mr M has provided suggests that he was receiving a total amount roughly equivalent to what he declared.

Furthermore, the information Mr M has provided does appear to show that when his committed regular living expenses and existing credit commitments were deducted from the amount of the monthly income he declared, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that the real reason for Mr M's inability to make his payments to this agreement wasn't due to his existing credit commitments or his living expenses. Mr M has told us about his personal and medical circumstances and why this meant that he shouldn't have been lent to. I'm sorry to hear about what Mr M has told us and sympathise with what he's told us. But I do need to acknowledge that Moneybarn wasn't aware of this at the time of Mr M's application.

Equally, what I need to think about here is what did Moneybarn need to do in order to answer the questions its initial checks left unanswered – in other words, what were Mr M's

actual regular living expenses (bearing in his income and credit commitments had already been validated against information from credit reference agencies)?

I can't see a circumstance where Moneybarn would have known about Mr M's health and any associated effect that this might have had on his ability to afford his payments going forward, or been able to factor this into its decision on whether to lend. It could only know about this by Mr M proactively volunteering this information during the application process. It did not have Mr M's permission to be able to access his health records even if this was something that it wished to do.

Having reviewed Moneybarn's records of contact with Mr M, I can see that that the first time Mr M told Moneybarn about his condition was when he applied for a pandemic payment holiday, which was granted, in August 2020. I can also see that Mr M was then granted further payment plans after his payment holiday ended and was also provided with details on his options to exit this agreement too.

So I'm satisfied that Moneybarn did take action and offered some health and support when Mr M got in touch to explain that he was having difficulty making his payments. Although I do accept that there may be a need for a further review in light of the time that has passed and what Mr M has said about still having difficulty making his payments.

Nonetheless, while I accept that Moneybarn may need to review Mr M's situation going forward, I'm satisfied that it carrying out reasonable and proportionate checks at the time it lent to Mr M, won't have stopped it from providing these funds, or entering into this agreement with him.

So I'm satisfied that Moneybarn didn't act unfairly towards Mr M when it agreed to provide the funds.

In reaching this conclusion I've also considered whether the lending relationship between Moneybarn and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Moneybarn irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate that this will be very disappointing for Mr M as I can clearly see that he clearly feels strongly about his complaint. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I would remind Moneybarn of its continuing obligation to exercise forbearance and due consideration, given Mr M has said about having difficulty making his payments.

I would also encourage Mr M to get in contact with and co-operate with any steps that may be needed to review what, if anything, he might be able to repay going forward. Mr M may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Moneybarn's actions in relation to exercising forbearance going forward.

### **My final decision**

My final decision is that I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 August 2024.

Jeshen Narayanan  
**Ombudsman**