

The complaint

Miss L complains that the conditional sale agreement given to her by Moneybarn No. 1 (trading as Moneybarn) was unaffordable for her.

What happened

In February 2020 Miss L took out the finance agreement to purchase a car. The total cost of the car was £7,689 of which Miss L paid a £400 deposit and the remaining £7,289 was funded by the loan. The term of the loan was 60 months with a monthly repayment of £288.99. The total interest charged on the loan was £9,761.41.

Through her representative Miss L has said the loan was unaffordable and she could not afford to sustainably repay it. Moneybarn considered her complaint but concluded that it did complete proportionate checks before agreeing to lend. And it said that the information those checks revealed suggested Miss L could afford to sustainably repay the loan.

Miss L referred her complaint to our service and it was considered by one of our investigators. They also concluded that Moneybarn completed proportionate checks and it was reasonable to lend based on the information these checks revealed. Unhappy with this, Miss L asked for an ombudsman to review her complaint.

I issued a provisional decision where I set out the following:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints of this nature on our website. I have kept this approach in mind when considering this complaint.

Moneybarn needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss L could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

Moneybarn has recorded that Miss L was working full time and had an income of £1,500 per month. It said it completed a full credit search and verified her income using information provided by Miss L's current account provider to credit reference agencies – essentially checking if her declared income was broadly consistent with money going into her current account. It also used information provided by the credit reference agency to estimate her regular expenditure.

I've considered the checks Moneybarn completed and I don't think they were proportionate taking into consideration the circumstances of this complaint. The loan in question had a repayment amount of almost 20% of Miss L's declared income and Miss L would need to sustain these repayments for a period of 60 months. This is a substantial period of time to sustain the repayments. Looking at the checks Moneybarn completed, I can't see that it actually independently verified her income. Instead, it relied on information from the credit reference agency about credits into her current account. I'm not persuaded this is sufficient to verify that Miss L was employed and regularly earning £1,500 per month.

In addition, Moneybarn did little to confirm her actual regular expenditure. I can see it completed a

credit search (establishing her regular credit commitments) and in addition it estimated her regular expenditure using credit reference agency information. However, Moneybarn didn't take any further steps to verify any of the information it estimated.

As part of completing proportionate checks, Moneybarn needed to respond appropriately to the information it gathered. I can see it recorded Miss L had some adverse information on her credit file, however I agree this was largely historic. Miss L had a CCJ recorded 20 months prior to lending and a default 19 months prior lending. So I don't think this indicates she was currently having problems managing her money. However, I can see that the CCJ had an outstanding balance of £1,100 and the default had an outstanding balance of £1,400. Turning to the estimate of Miss L's expenditure I can see that it recorded £0 for existing credit commitments. Whilst I can see it's included a "buffer" amount within her expenditure assessment, I would still have expected Moneybarn to question these outstanding balances and confirm what commitments she has made to repay them.

And so, taking everything into consideration I don't think Moneybarn completed proportionate checks before agreeing to lend to Miss L. I'll now need to go on and consider what proportionate checks would've most likely revealed.

I have very limited information about what proportionate checks would have most likely revealed. Whilst Moneybarn completed a credit search, it is only able to provide a summary. Through her representative Miss L has twice been asked for a copy of her full credit file and current account bank statements for the three-month period leading up to the loan. This is so I can gain an understanding of her financial circumstances at the time. To date this information hasn't been provided.

Turning to the information I do have available, the credit file summary shows a default and a CCJ. However, as explained above, given they were both over a year and a half prior to lending this doesn't indicate recent problems managing her finances. I can see that Miss L did experience difficulties repaying the loan shortly after she took it out. However, the information I have available suggests this was due to a reduction in her income (due to the furlough scheme) which I'm satisfied neither party would reasonably been aware of when she took out the loan. Miss L has said that the loan was unaffordable for her as she was earning between £1,200 and £1,300 a month at the time and had existing credit commitments of between £800 and £900 per month. However, she's not provided further evidence of her circumstances when requested.

So taking everything into consideration I don't have sufficient information to determine what proportionate checks would have most likely shown. And as such I can't uphold this complaint. As explained above, I will allow until 25 July 2024 for either party to provide me with any further information they would like me to consider. Therefore Miss L has a final opportunity to provide the information requested. After this time I will reach a decision on the information I hold.

I asked both parties to provide me anything further they would like me to consider. Neither party has provided anything further in response to this.

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.

Having done so, as neither party has provided anything further they wish for me to consider, I see no reason to depart from the findings reached in my provisional decision. So it follows for the reasons set out in my provisional decision (which forms part of this decision) I don't uphold this complaint.

To summarise, whilst I don't think Moneybarn completed proportionate checks, I don't have sufficient information to determine what proportionate checks would have most likely revealed. So I can't conclude Moneybarn gave Miss L a loan she couldn't afford and I don't uphold this complaint.

My final decision

For the reasons above, I don't uphold this complaint against Moneybarn No.1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 29 August 2024.

Claire Lisle
Ombudsman