

The complaint

Mr G complains Moneybarn No 1 Limited trading as Moneybarn didn't sufficiently check his financial situation before they agreed to lend to him.

In bringing his complaint Mr G is represented by a third party. For ease of reading I will only refer to Mr G in my decision.

What happened

In June 2021 Mr G acquired a car when he entered into a conditional sale agreement with Moneybarn. The cash price of the car was £4,995, after interest and charges were applied the total amount he needed to repay was £9,105.78. The was repayable over 48 months by monthly payments of £193.74.

Mr G said he struggled to sustain the repayments and if Moneybarn had properly checked they would have seen he'd accounts that had been passed for debt collection. He said he was already in arrears because of missed payments with other credit commitments. And he'd recently opened four new accounts. He complained to Moneybarn.

Moneybarn said they'd carried out reasonable and proportionate checks. They said they'd verified Mr G's income, checked his credit history and used statistical data to determine his outgoings. While Mr G's credit file had shown previous financial difficulty this was considered historic. Based on all the information they gathered Moneybarn said the lending was affordable as Mr G had sufficient disposable income to sustain the repayments.

Mr G didn't agree and referred his complaint to us.

Our investigator said Moneybarn had carried out proportionate checks and based on these they had made a fair lending decision.

Mr G didn't agree saying he'd a low income and had a history of financial difficulty. He asked for an ombudsman 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.

I appreciate Mr G will be disappointed but having done so I'm not upholding this complaint. I'll explain why.

Moneybarn needed to ensure that they didn't lend irresponsibly as per the rules set out in the Financial Conduct Authority's (FCA) Consumer Credit Sourcebook (CONC). 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 G before providing it.

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

1. Did Moneybarn complete reasonable and proportionate checks to satisfy themselves that Mr G would be able to repay his loan without experiencing significant adverse consequences?

a. If so, did they make a fair lending decision?

b. If not, would those checks have shown that Mr G would have been able to do so?

2. Did Moneybarn act unfairly or unreasonably in some other way?

Repaying debt in a sustainable manner means Mr G being able to meet repayments without undue difficulty - using regular income, avoiding further borrowing to meet payments and making timely repayments over the life of the agreement.

CONC doesn't give a set list of checks that should be done. But that the level of detail that should be sought was dependent on the type of credit, the amount of credit being granted and the associated risk to the borrower relative to the borrower's financial situation.

CONC 5.2A.15(2) says:

"The firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current income."

And CONC 5.2A.16(3) says:

"For the purpose of considering the customer's income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer)."

I've considered the checks Moneybarn made when assessing Mr G's income. From Mr G's application data I can see he declared his monthly income to be £1,300. I can see from Moneybarn's records they checked Mr G's income with a credit reference agency (CRA) which verified his income to be £1,300. So, I'm satisfied the check made by Moneybarn was reasonable and proportionate.

CONC also says that a lender must take reasonable steps to establish a borrower's outgoings, this would be their non-discretionary spending and credit commitments. Mr G declared his outgoings on his application to be £400 and that he was a tenant. I can see Moneybarn checked Mr G's credit file for his credit commitments and used statistical data to assess Mr G's day to day living costs, which included housing costs, council tax, utilities, vehicle costs, basic living costs with an additional amount included as a "buffer". They assessed Mr G's overall outgoings to be £905.30 which meant he'd a disposable income for discretionary and unexpected costs after the new lending of £193.74 was factored in of £200.96.

CONC allows for the use of statistical data in assessing a borrower's outgoings unless *"the firm is aware, or has reasonable cause to be aware from information in its possession, that the composition of the customer's household, or the number of dependants that the customer has, or the level of the customer's existing indebtedness, differs significantly from that of the sample of persons on which the statistical data were based."*

I've considered the credit file information that Moneybarn saw.

This showed Mr G did have financial difficulty in 2017 as it showed two of his accounts at

that time had been defaulted. But given the time that had passed this showed historic vulnerability. And the credit report showed Mr G was managing his exiting credit commitments well. The report showed Mr G had eight active accounts, three current accounts, one credit card, one loan, two communications and a mail order account. All were up to date, and although there was some evidence he'd taken out new accounts in the months preceding the lending they were for relatively small amounts. I can see his credit card limit was £600 and he'd an outstanding balance of £572, his mail order account had a limit of £200 and his loan was £6 a month.

So I'm satisfied the checks made by Moneybarn were reasonable and proportionate. I'll now consider whether based on these checks Moneybarn made a fair lending decision.

As outlined above the information gathered by Moneybarn verified Mr G as having an income of £1,300. Moneybarn assessed Mr G as having credit commitments of £82 a month which from his credit report I think is fair and reasonable. Together with these checks they also used statistical data for his day to day living costs to determine Mr G's non-discretionary spending, and the amount they assessed for Mr G's spending was greater than the amount declared by Mr G on his application form. From this Moneybarn assessed Mr G as having sufficient disposable income to sustain the repayments he'd agreed to.

Mr G has also provided a credit report that was created in December 2023. And I can see additional borrowing that he took out a couple of months before he entered into the agreement with Moneybarn that wasn't present on the report Moneybarn has shown to us.

While all finance providers are under an obligation to report accurate and fair information to the CRAs as to how consumers have managed their credit accounts, the timeframe in which they do this typically can be between 30 to 45 days. But every lender has its own reporting schedule and policies. And the report Moneybarn saw when they checked Mr G's credit history didn't have a record of some of his most recent borrowing. While I can understand Mr G's frustration, I can't say Moneybarn made an unfair lending decision as based on the evidence they had the lending looked to be affordable for him as it showed Mr G had sufficient income to sustain the repayments.

I know my decision will disappoint Mr G but it wouldn't be fair to say Moneybarn had done something wrong when on the evidence they saw they'd acted fairly and reasonably.

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. But, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr G or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 8 October 2024.

Anne Scarr
Ombudsman