

## **The complaint**

Mr H says Moneybarn No. 1 Limited trading as Moneybarn, irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a hire purchase agreement to purchase a car. He says that trying to pay the agreement has led to him experiencing significant financial difficulty.

## **What happened**

In July 2019, Mr H took out a conditional sale agreement to purchase a car. The vehicle had a cash price of £5,995. Mr H paid a £35 deposit meaning £5,960 was financed. This agreement was to be repaid through 59 further monthly instalments of £200.95. Based on the statement of account an outstanding balance remains due. If Mr H made repayments in line with the credit agreement, he would need to repay a total of £11,891.05. I understand that Mr H has had some problems making the loan repayments.

Mr H complained to Moneybarn saying that he didn't think that proper affordability checks were performed when he agreed to the car finance.

Moneybarn considered the complaint and it didn't uphold it. It said it thought it'd made adequate checks, which showed that Mr H could afford the lending. Whilst Mr H's financial situation may have deteriorated over the term of the lending, it wasn't wrong to approve the car finance. And it did treat Mr H with forbearance when he had problems making the loan repayments. 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 thought that Moneybarn hadn't made proportionate checks, particularly as he had some relatively recent financial problems. But if it had made better checks then it would have seen that Mr H could sustainably afford the loan repayments and it would still have lent to him. He also thought that Moneybarn treated Mr H fairly when he was experiencing financial difficulties.

Mr H didn't agree with the Investigator. He said it was clear from the bank statements that he submitted that his financial situation was strained and both he and his wife borrowed elsewhere to make ends meet. He also said that his income was lower than the Investigator thought it was.

There was some further correspondence and Mr H provided some more information about his income. He also said that his wife's circumstances and loans should be considered as their finances were joint.

Our Investigator did go on to consider Mr and Mrs H's combined circumstances, but he still thought that if Moneybarn had made better checks then it would have seen that the loan was affordable. Mr H didn't agree with this, but his reasons for his were the same as he had given earlier.

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 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 asked Mr H what his income was, and he said that it was around £1,681 a month. It said that it verified this using a credit reference agency tool.

Moneybarn also checked Mr H's credit file and found out what debt he already had. He had total credit of around £2,500 of which £190 was revolving credit. He didn't have any payday lending but had taken a modest amount of payday loans in the last few months. He was paying £130 a month into his current credit commitments.

Moneybarn also found out that Mr H had some credit problems in the past. He had defaulted on some lending around 39 months before the agreement. But more recently, that is 13 months ago, he had been subject to two County Court Judgements ('CCJ'). These were still active, and he owed £2,400 to these. So, it knew that Mr H had some credit problems in the recent past that were not fully resolved.

Moneybarn went on to estimate his expenditure using Office of National Statistics ('ONS') data. It looked at estimates for his monthly expenditure for things such as his housing costs, council tax, basic living and transport costs. Once it had added these to his credit costs and added a buffer of around £50 it thought he had enough left to make the loan repayments.

But Mr H was borrowing a significant amount and he was committing to make payments over five years. And he'd had some problems with credit in the recent past. So, I think it would have been important for Moneybarn to ensure that he could afford the repayments to the new loan. And I think it would have been proportionate to have asked more questions about Mr H's expenditure and his circumstances rather than, in the main, relying on averages for this and the information contained in the credit report.

So, I'm not persuaded that the checks Moneybarn did were reasonable and proportionate. I think Moneybarn could have checked in more detail that this further lending wasn't likely to cause him a problem going forward.

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 had reasonable and proportionate checks been carried out.

Moneybarn did look at some of the information contained in Mr H's credit file before lending. At the time the lending was arranged the amounts he owed to other lenders was relatively low and he was maintaining all payments and there were no indications of any financial difficulties. Mr H had some historic defaults and CCJ's, and the CCJ's were in the recent past. And there looked to be some evidence of recent use of short-term high-interest loans, also known as payday loans. The amounts he had borrowed in the recent past looked to be modest.

However, I wouldn't have expected Moneybarn to decline this application just because Mr H had some problems. But I would expect Moneybarn to take these into consideration when making its lending decision particularly given the proximity of the CCJ's (13 months in the past) and the amount and terms of the new car finance agreement.

Mr H has provided copies of his bank statements for the period between April 2019 to June 2019. These were for his personal account and a joint account that he transferred money to for household bills. While I wouldn't have expected Moneybarn to have asked Mr H for copies of these, I'm satisfied that these statements would give a good indication of what Moneybarn would likely have taken into consideration had it asked Mr H to verify, or provide more information about, his income and committed expenditure during that specific period.

The bank statements show that Mr H transferred just over £500 a month to his wife to pay for his share of the bills. There are some other costs usually associated with normal expenditure such as amounts for childcare and telecoms bills. But these only increase his total expenditure to around £750 a month. And when this is taken from his declared and checked income of £1,681 a month, he would still likely have enough left over to make the loan repayments. I think it was fair to use this income amount given the long-term information about Mr H's pay that was on his payslip.

I think it's likely that Moneybarn would have found about this information it had made proportionate checks. But I think it would have still thought that Mr H had enough to make the loan repayments, and this wouldn't have been unreasonable.

And I have noted that when Mr H started to experience repayment problems Moneybarn and Mr H went through a more detailed income and expenditure information gathering exercise. It's not clear to me exactly which date this was completed at. But whilst this used a lower income amount, and a higher amount for his rent and included the car finance payments it still did show that Mr H had some disposable income, albeit a much smaller amount.

Mr H has said that just looking at his own account didn't give the full picture of their joint finances. And whilst he did transfer money to his wife, they were both responsible for these bills and so they should be factored in. This would mean that Moneybarn should have used much higher amounts for his expenditures, for example his rent was higher than the estimates Moneybarn used.

Our Investigator did look into this and found that Mr H and his wife had a joint monthly income of over £2,600, and expenditures of about £2,150. So, the loan repayments would still be affordable. And these calculations don't seem unreasonable.

But there was some separation between Mr H and his wife's accounts. And he did transfer amounts to her to pay the household bills. So, whilst there was clearly a connection here, I think the best way to have assessed the lending would be to look at Mr H's contributions to the joint household bills on top of his own credit commitments. And, as I've outlined above, I don't think these would have shown that the loan would be unaffordable.

So, and while I appreciate this will come as a disappointment to Mr H, I'm satisfied that, had Moneybarn carried out reasonable and proportionate checks, I think that it's likely that it would have found the finance to be sustainably affordable. And it's for this reason why 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?

Mr H did have some problems repaying the credit and he needed to make arrangements to pay a lower amount at times. I haven't seen anything that leads me to conclude that Moneybarn acted incorrectly here. And Mr H didn't raise any further issues to what our Investigator said about this in their opinion. So, I won't comment on it further.

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

**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 12 November 2024.

Andy Burlinson  
**Ombudsman**