

## **Complaint**

Mr E 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**

Mr E also complained about the quality of the car he was sold in particular he had concerns about the gearbox. But we’ve explained that Moneybarn already looked at that complaint in June 2021 and explained what he needed to do if he remained unhappy. Therefore this complaint is only considering Mr E’s concerns that Moneybarn irresponsibly lent to him.

In December 2020, Moneybarn provided Mr E with finance for a used car. The purchase price of the vehicle was £9,805.00. Mr E paid a deposit of £500 and entered into a 49-month conditional sale agreement with Moneybarn for the remaining £9,305.00 he needed to complete his purchase.

The loan had interest, fees and total charges of £6,263.32 and the total amount to be repaid of £15,558.32 (not including Mr E’s deposit) was due to be repaid in 48 monthly instalments of £324.34.

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

Mr E 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 E’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr E’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 E 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 E provided details of his monthly income which it verified with copies of payslips Mr E was asked to provide. It says it also carried out credit searches on Mr E which did show defaulted accounts and County Court Judgments recorded against him. However, Moneybarn considered them to be historic.

In its view, when reasonable repayments to the amount Mr E already owed plus a reasonable amount for Mr E's living expenses were deducted from his monthly income, the monthly payments for this agreement were affordable.

On the other hand, Mr E 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 E and Moneybarn have said.

The first thing for me to say is that bearing in mind the adverse information Moneybarn saw on the credit checks, 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 E's living costs given the adverse information on his credit file.

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 E. 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 E's regular living expenses as well as his income and existing credit commitments.

However, the information Mr E has provided does not appear to show that the estimates Moneybarn used were wildly out of kilter with his actual position, or that using Mr E's actual regular living expenses would have shown that he did not have the funds to sustainably make the repayments due under this agreement. So the available evidence suggests to me that Moneybarn is unlikely to have a different decision on lending, even if it had carried out further checks.

Furthermore, I also have to keep in mind that Mr E's most recent submissions are being made in support of a claim for compensation and any explanations he would have provided at the time are more likely to have been with a view to persuading Moneybarn to lend, rather than highlighting any unaffordability.

Overall and having carefully considered everything, while I don't think that Moneybarn's checks before entering into this conditional sale agreement with Mr E did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Moneybarn from providing these funds, or entering into this agreement with Mr E. So I'm satisfied that Moneybarn didn't act unfairly towards Mr E when it agreed to provide the funds.

I've also thought about what whether Mr E was treated fairly when he had difficulty making his payments. Having reviewed Moneybarn's records of contact with Mr E, I can see that Mr E began having difficulties after he had mechanical issues with the vehicle.

At this point Moneybarn contacted Mr E and let him know about all of the options he had to exit his agreement and set out the respective cost of each option – including highlighting

which would cost him less. So I'm satisfied that Moneybarn did take action and offered some help and support when Mr E ran into difficulty making his payments.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Mr E might have been unfair to Mr E 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 E 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 E. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 29 October 2024.

Jeshen Narayanan  
**Ombudsman**