

## **The complaint**

Mr B complains that Moneybarn No. 1 Limited was irresponsible in its lending to him. He wants his conditional sale agreement cancelled and the money he has paid refunded as well as receiving compensation for the stress and anxiety he has been caused.

## **What happened**

Mr B was provided with a conditional sale agreement in June 2023 by Moneybarn to finance the acquisition of a car. The total amount repayable under the agreement was £15,102.20 with Mr B making an advance payment of £199 and 52 monthly payments of £286.60.

Mr B said that at the time the finance was provided he had a poor credit score with several accounts in default. He explained he was struggling with mental health issues that meant he wasn't good at making informed decisions regarding his finances. He said he received the paperwork and was called by Moneybarn and felt pressured into accepting the loan and that he hasn't been able to afford the repayments.

Moneybarn issued a final response to Mr B's complaint dated 16 October 2024. It said that as part of the application process a full credit search was carried out and it verified Mr B's monthly income using the payslips he provided. It said reasonable estimates were made for Mr B's expenses and his existing credit commitments were reviewed. Based on this it found the agreement to be affordable. It noted that Mr B had defaulted on some previous borrowing but said the most recent was 20 months prior to his application and he was making payments towards this. It said Mr B's application for finance was fairly assessed and the amount offered affordable therefore it didn't uphold this complaint.

Mr B referred his complaint to this service.

Our investigator noted the checks that Moneybarn undertook and thought that it would have been proportionate for Moneybarn to have gathered more information about Mr B's expenses to get a clear understanding of these before lending. She considered the information contained in Mr B's bank statements for the three months leading up to the finance being provided to assess what further checks would have identified. Based on this she didn't think further checks would have suggested the lending to be unaffordable.

Mr B didn't agree with our investigator's view. He provided calculations for his income and expenses and explained that in April 2023 his income was unusually high as he had started a new job and was still in receipt of full universal credit. He said taking this into account resulted in his disposable income being much lower which should have caused concern. He said that he had debts at the time that hadn't all been included in the calculations as well as other regular costs. He also said that his work hours varied. Mr B said that Moneybarn should have carried out further checks and reiterated that he had several defaulted accounts and a poor credit score.

Mr B also reiterated that he was called after receiving the agreement from Moneybarn and pressured to sign it. He said his consumer rights weren't explained and he wasn't made aware of the cooling off period. He provided further information about his medical conditions

and said that Moneybarn was aware of these and should have done more.

### **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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the finance was provided, Moneybarn verified Mr B's income using two months of payslips. These showed his net income for April 2023 was around £1,433 and for May 2023, around £1,598. In its affordability assessment Moneybarn included estimated costs for Mr B's expenses as well as a buffer and an amount for his existing credit commitments. This resulted in Mr B's disposable income being recorded as £327.53. Noting the repayments under the Moneybarn agreement were around £287 this left little room for any unexpected expenses. A credit check was carried out which showed that Mr B had four defaulted accounts with total outstanding balances of £1,400.

As Mr B's most recent default was recorded 20 months prior to his application and his recent credit data didn't show any concerns, I do not find this alone meant that the finance shouldn't have been provided. But noting Mr B had experienced previous financial difficulties within a couple of years of this application, and the affordability calculation gave limited room for any unforeseen costs, I think Moneybarn should have carried out a thorough check of Mr B's financial circumstances including assessing his actual expenses to ensure the lending would be affordable for him.

Mr B has provided copies of his bank statements for the three months leading up to the finance being provided. While these weren't necessarily required to be requested, I have used the information contained in these to understand what thorough checks would have likely identified. Mr B's statements show his income as verified by Moneybarn equalling around £1,500 a month. Mr B was also in receipt of benefits. Mr B's monthly benefits averaged around £1,000 a month. However, I accept the point Mr B has made that he had started a new job in April 2023 and his benefits hadn't adjusted to reflect this at the time. Therefore, I find it reasonable to accept that had he been asked about his benefits when applying for the finance he would have recorded the lower amount he was in receipt of in the month before his application, being around £800. This would give Mr B a monthly income of around £2,300.

I have looked at Mr B's regular expenses for costs such as communications contracts, insurances, other credit commitments and utilities and these totalled around £800. Adding to this the monthly payments for the Moneybarn agreement would leave Mr B with around £1,200 to cover his costs of food, fuel and other general living costs as well as any unexpected costs. Based on this, I find that had further checks been carried out to understand Mr B's income and expenses they would have likely shown the agreement to be affordable.

Mr B has also complained that he felt pressured into accepting the agreement. I cannot say what happened at the time, but I can see that he was provided with the pre-contract

information that set out the key agreement terms including the cost of the finance and amounts repayable. This information was also included in the agreement. Based on this I find that Mr B was provided with the information he needed to make an informed decision. I have considered Mr B's comment that he wasn't told about the cooling off period, but this information is contained within the pre-contract information and the agreement. I can see Mr B was sent a welcome pack on 12 June 2023 when the agreement commenced and I think that had he had concerns he could have contacted Moneybarn at that time.

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

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 February 2025.

Jane Archer  
**Ombudsman**