

## **The complaint**

Mr N complains through a representative that Moneybarn No.1 Limited trading as Moneybarn ("Moneybarn") lent to him without carrying out sufficient affordability checks.

## **What happened**

In March 2019, Moneybarn provided Mr N with a conditional sale agreement for a used car. The vehicle had a cash price of £12,250 and the full amount was financed. If Mr N made the payments in line with the agreement, he would've been required to pay £10,221.17 worth of interest fees and charges with a total to repay of £22,471.17. The agreement was to be repaid with an advance payment of £250 followed by 59 monthly repayments of £376.63. The agreement was settled early in January 2020.

Following the complaint, Moneybarn issued its final response letter, and it didn't uphold it because it considered it had fairly assessed the loan as being affordable. Mr N's representative then referred the complaint to the Financial Ombudsman.

Mr N's complaint was considered by one of our investigators. The investigator concluded it wasn't fair and reasonable for Moneybarn to have relied on statistical data when trying to work out what Mr N's monthly outgoings were. However, even if Moneybarn had taken further steps to review Mr N's outgoings it still would've lent to him.

Mr N's representatives disagreed and asked for a final decision. As no agreement has been reached, the complaint has been passed to an ombudsman for a 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.

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 N's complaint. Having carefully thought about everything I've been provided with, I'm not upholding Mr N'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 N 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 as part of the application process took details of Mr N's monthly income which he declared came to £2,600. Moneybarn says that this income was cross referenced with a tool provided by a credit reference agency and it says the results indicated that what Mr N had declared was likely to be accurate. It was therefore reasonable of Moneybarn to have relied on the income figure declared by Mr N for its affordability assessment.

Moneybarn then went about carrying out a credit search and it then used those results as well as statistical data to work out what Mr N's likely outgoings were each month. Overall, it worked out that Mr N's likely monthly outgoings came to around £1,398. This left around £1,100 per month in disposable income in which to afford the payment to Moneybarn. The agreement looked affordable.

As I said, Moneybarn has also said it carried out a credit search and I've reviewed the summary it provided to see whether it gave any indication that the finance would be either unaffordable or unsustainable for Mr N.

The credit check results wouldn't have been of concern for Moneybarn: there were no defaults, delinquents, insolvencies or County Court Judgments (CCJs). Mr N also only had £1,373 of outstanding debt which wouldn't have given Moneybarn any concerns around his overall indebtedness.

In saying that, at the point the loan was approved, Moneybarn was fully aware of Mr N's income as it verified it, although it didn't as far as I can see have an accurate reflection or idea of his actual monthly living costs. I appreciate, Moneybarn has used statistical data to try and work out what these costs may have been, but like the investigator I do think further checks were needed given the term of the loan and the cost of the monthly repayments.

It could've gone about doing this a number of ways. It could've simply asked him what his living costs were, asked for evidence from Mr N about his bills or as I've done, it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Mr N's regular living costs are likely to have been like at the time – I've not done this because I think Moneybarn ought to have requested this information as part of underwriting this loan. After all Moneybarn already had a reasonable idea of Mr N's income and his credit commitments.

I accept had Moneybarn conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Moneybarn conducting a proportionate check I do think it's fair and reasonable to consider the bank statements that I now have access to. And having looked at the statements I've come to the same conclusions as the investigator for broadly the same reasons.

I can see a number of regular direct debit payments that were made on or around the first of each month for this such as rent, car tax, insurance, utilities and what seems to be council tax. On top of that there were the credit commitments that Moneybarn knew about as a result of its credit search.

As I've said earlier on in this decision, Moneybarn had cross referenced Mr N's income so it would've been reasonable for it to have used that figure. But even including the amount of credit commitments that can be seen in the bank statements along with the regular living costs Moneybarn would've likely concluded that he had just over £900 per month in disposable income.

So, taking into account what I've seen in the statements I've concluded that had Moneybarn conducted further checks into Mr N's living costs it would not have made a difference to Moneybarn's decision to lend: it would've likely concluded the loan was affordable and so I am not upholding the complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr N 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**

For the reasons I've outlined above, I am not upholding Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 9 January 2025.

Robert Walker  
**Ombudsman**