

The complaint

Mr W complains that Moneybarn No. 1 Limited trading as Moneybarn was irresponsible in its lending to him. He wants all interest and charges paid under the agreement refunded along with interest.

Mr W is represented by a third party but for ease of reference I have referred to Mr W throughout this complaint.

What happened

Mr W entered into a conditional sale agreement with Moneybarn in November 2020 to finance the acquisition of a car. The agreement term was 60 months and Mr W paid a £50 deposit and was then required to make 59 monthly repayments of £420.49. The agreement was settled in November 2022 with Mr W retaining possession of the car.

Mr W says that adequate creditworthiness and affordability checks weren't carried out before the finance was provided to ensure the lending was affordable. He said that at the time he had a county court judgement recorded on his credit file as well as other defaults. He said that the repayments under this agreement had a negative impact on his mental health due to his concern about the possibility of the car being repossessed.

Moneybarn issued a final response to Mr W's complaint dated 10 June 2024. It said that before lending to Mr W it carried out several checks including a full credit search, verifying Mr W's declared monthly income of £1,700 with the credit reference agencies and made a reasonable assessment of his expenses. It said its checks showed that Mr W's existing borrowing levels and credit commitments were affordable and that while he had defaulted on accounts the most recent was 63 months prior to his application. There were no county court judgments recorded on his credit file. It said the finance was fairly assessed and the amount offered affordable.

Mr W referred his complaint to this service.

Our investigator considered the size of the repayments due under the agreement compared to Mr W's income and while he noted that Mr W had said he was living with parents, he thought that further questions should have been asked to fully understand Mr W's financial situation. However, he found that had further checks been carried out these wouldn't have suggested the agreement was unaffordable.

Mr W didn't accept our investigator's view. He said he was making payments of £250 a month towards rent and £100 a week for bills. He said that had this been included in the calculations his disposable income would be much lower.

Our investigator considered the information provided in response to his view. But as this didn't change his position that further checks wouldn't have shown the agreement to be unaffordable, this complaint has been passed to me, an ombudsman, to issue 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.

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 gathered information about Mr W's employment and residential status. Mr W said he was employed with a monthly income of £1,700 and was living with parents. Moneybarn verified Mr W's income. A credit check was undertaken which showed Mr W had total outstanding debts of £585, of which £583 was revolving debt. He had a high utilisation of his revolving debt. Mr W had one default recorded 63 months prior to the application. Considering the age of the default recorded and noting the level of Mr W's debts, I do not find that the credit check raised concerns that meant the lending shouldn't have been provided or that further questions needed to be asked.

While I understand that Mr W had said he was living with parents, noting the size of the monthly repayments due under the agreement (accounting for around 25% of Mr W's income) and the agreement term, I think it would have been proportionate for Moneybarn to have asked further questions about Mr W's committed expenditure to ensure the lending would be affordable for him over the agreement term.

While I do not think that Moneybarn was required to request copies of Mr W's bank statements, I have used the information contained in these to understand what further questions would have identified.

Looking at Mr W's bank statements for the three months leading up to the agreement being provided, these show that he was making payments towards his credit commitments and was also paying for food and fuel. These payments averaged a total of around £250 a month.

Mr W has said that he was paying rent of £250 a month and £100 a week for bills. However, these amounts aren't shown in his bank statements. He has said he made the payments in cash but his statements do not show him withdrawing regular amounts of cash. This could suggest he received cash from elsewhere to cover these costs. In this case, while I note his comments, I have to consider what was likely to have been identified had proportionate checks taken place and as I haven't seen evidence of these payments, I do not find I have enough to say that reasonable checks would have identified these.

Mr W has also said that he was making payments to the mother of his child. There are several transactions in and out of Mr W's account to this individual and the amounts varied significantly. But taking a net average for the three months resulted in Mr W making payments of £715 a month.

Deducting Mr W's payments for his child, along with his existing credit commitments, food and fuel from his income of £1,700 would leave disposable income of around £735. As the repayments due under the agreement were for around £421, I do not find that I can say

further checks would have suggested the agreement to be unaffordable for Mr W. Therefore, I do not uphold this complaint.

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether its relationship with him might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr W 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 W to accept or reject my decision before 24 February 2025.

Jane Archer
Ombudsman