

The complaint

Mr H complains that Moneybarn No. 1 Limited trading as Moneybarn lent to him irresponsibly.

What happened

On 10 August 2019, Mr H applied for and received finance from Moneybarn to enable him to acquire a used car.

Date	Amount of Credit	Term	Monthly repayments	Total repayable
10 Aug 2019	£6,110	48 months	£217.61	£10,227.67

On 24 December 2020, Mr H's payment was refused by his bank, and he fell into arrears. He made increased payments for a few months from April to August 2021 and then missed payments again. Moneybarn terminated the agreement in November 2021 and obtained a County Court Judgement (CCJ) for the return of goods. Mr H repaid the agreement in full on 15 June 2023.

On 29 November 2023, Mr H complained to Moneybarn saying it had lent to him irresponsibly. He said Moneybarn had *"failed to conduct thorough, appropriate and reasonable checks"* on his application to ensure it would be affordable for him.

Moneybarn looked into Mr H's complaint and provided its final response. It said it had reviewed his credit file, verified his income and calculated his expenditure. It said it felt the agreement had been affordable for him. It didn't uphold Mr H's complaint.

Mr H was unhappy with Moneybarn's response and referred his complaint to our service. One of our investigators looked into the complaint. He noted that Moneybarn had seen adverse information on Mr H's credit report but that was largely historic and was being repaid. Mr H's income and expenditure revealed he had sufficient disposable income after all his credit commitments and essential expenditure to comfortably afford the repayments to this finance agreement. Our investigator didn't uphold the complaint.

Mr H didn't accept our investigator's view of the complaint. As there was no agreement, it has been passed to me to decide.

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 set out our approach to complaints about unaffordable and irresponsible lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Moneybarn needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr H irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mr H was in a position to sustainably repay the credit?
 - If not, what would reasonable and proportionate checks have shown at the time?
- Did Moneybarn make a fair lending decision?
- Did Moneybarn act unfairly or unreasonably towards Mr H in some other way?

It's not about Moneybarn assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the agreement, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Moneybarn carry out reasonable and proportionate checks?

When Mr H applied for the finance, Moneybarn carried out a number of checks including checking his credit file. That check showed he had nine defaulted accounts, but it was 40 months since the last one had defaulted. And he had a County Court Judgement (CCJ) which had been added to his record 30 months before this application.

Mr H told Moneybarn he earned £1,500 per month, and the business verified that by using online tools provided by a credit reference agency. Mr H has told us he thinks the credit broker also obtained payslips from him during the application process to confirm his income. Moneybarn then used statistics provided by the Office for National Statistics (ONS) to calculate his expenditure.

I think the checks outlined above would generally be considered to be reasonable and proportionate for the purpose of assessing an application for credit. I wouldn't expect Moneybarn to ask for further information from Mr H unless it saw something that caused it concern. In this instance it didn't, and it was happy to lend to Mr H.

Did Moneybarn make a fair lending decision?

Having carried out reasonable and proportionate checks, Moneybarn had to assess the information to satisfy itself that Mr H would be able to sustainably repay the credit.

Mr H's credit file revealed that he had had difficulties with credit which had resulted in defaults and a CCJ. But the most recent of these was around 2½ years before the application. Moneybarn says it "*aims to assist customers that may struggle to access credit with mainstream lenders...historic impaired credit information would not necessarily lead to an application being declined.*" I don't think it's unreasonable for Moneybarn to have considered Mr H's defaults and CCJ to have been historic given the time that had passed.

When it conducted its income and expenditure assessment, Moneybarn calculated Mr H had a monthly disposable income in the region of £550. It felt this was enough to mean that he could afford the repayments to this finance of £217.

So considering the information Moneybarn found through its reasonable and proportionate checks, I think it reached a fair decision to lend to Mr H.

Did Moneybarn act unfairly or unreasonably towards Mr H in some other way?

I've read and considered all the information provided by both Mr H and Moneybarn. I can see that Mr H made all his repayments on time for 15 months, and first missed a payment in December 2020. He's told us that his circumstances changed in November 2020 which meant his expenses increased and he *"found [himself] skipping payments to Moneybarn"*.

Moneybarn's system notes show that Mr H spoke to it on 2 February 2021 about the arrears and explained his expenses had increased and he hadn't been able to work overtime. Moneybarn agreed a repayment plan with him. Unfortunately, the payment plan failed so Moneybarn issued a default notice in April 2021.

I have every sympathy with the situation Mr H found himself in, but given what he's said, I think the problems with the agreement were likely down to his change in circumstances rather than Moneybarn's decision to lend. I've seen nothing to suggest that Moneybarn treated Mr H unfairly in its dealings with him.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 13 March 2025.

Richard Hale
Ombudsman