

The complaint

Miss M complains that Moneybarn No.1 Limited (“Moneybarn”) gave her finance without carrying out the correct checks. Had it made better checks it would’ve seen she was unemployed and in receipt of benefits.

What happened

In February 2020, Moneybarn provided Miss M with a conditional sale agreement through a credit intermediary for a used car. The car had a cash price of £5,395 and the full asking price was financed. The agreement had interest, fees and charges totalling £5,337.10, and the total amount to be repaid of £10,732.10. This sum was due to be repaid in 59 monthly instalments of £181.90. As of July 2024, an outstanding balance remained due but all of Miss M’s payments had been made as expected.

Following Miss M’s complaint, Moneybarn issued a final response letter in July 2024, where it explained it wouldn’t be upholding the complaint. It considered it fairly assessed the loan as being affordable. Miss M then referred the complaint to the Financial Ombudsman.

Miss M’s complaint was considered by an investigator. They didn’t uphold the complaint even though they thought Moneybarn needed to have done more before lending to Miss M because of a recent default on her credit file. Had further checks been made into Miss M’s financial circumstances Moneybarn would’ve still likely concluded the payments were affordable for her.

Miss M disagreed with the outcome, saying in summary.

- Miss M had fallen behind with her utilities and she provided personal information as to the reasons why her gas and electric bill was higher than what was to be expected.
- She had a young child and so there were needs for them including clothing and food.
- Miss M says she’s contacted Moneybarn a number of times about the payments – but these don’t appear to have been recorded.
- She needed the car to help her take her daughter to school and to get to college.
- The rate of interest on the agreement is “...*extortionate*...”

As no agreement could be reached, the complaint 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 explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss M’s complaint. Having carefully thought about everything I’ve been provided with, I’m not upholding Miss M’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 Miss M 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.

Firstly, I want to acknowledge what Miss M has told us about her health, I won't go into any more detail about it here because I don't need to in order to reach a fair outcome. But I have taken on board what she has told us, and I do hope things are better for her now.

the lending decision

Moneybarn, as part of the application process, took details of Miss M's monthly income and she declared she received £1,356 per month – from benefits. Moneybarn has shown as part of the affordability assessment it cross referenced the information given by Miss M with a tool provided by a credit reference agency. Moneybarn was content, given the results of this check to use the declared figure for its affordability assessment.

Moneybarn knew that Miss M wasn't working at the time, and her only source of income was benefits. However, that wouldn't be a reason for Moneybarn to automatically decline the application because there isn't anything in the regulations that says a lender can't provide credit to a consumer who is in receipt of benefits. But it can, depending on the situation lead to additional checks being carried out.

In addition to checking Miss M's income Moneybarn went about using statistical data taken from the Office of National Statistical to work out her living costs. It took account of housing costs, utilities, living costs and vehicle costs. Moneybarn then added a buffer and then it used the data from her credit search to determine what her monthly credit commitments were.

Moneybarn worked out that Miss M's monthly outgoings before the loan payment came to around £781 (rounded) per month. This left more than enough disposable income to cover the loan repayment and any other living costs.

Moneybarn also carried out a credit search and I've taken a look at it to see whether there was anything contained within the summary results that it has provided which may have led it to either declining the application or prompting it to perhaps undertake more thorough checks. Moneybarn could see;

- Miss M didn't have any active payday or home credit loans – indeed she'd not taken any in at least the last six months and wasn't paying towards a mortgage.
- Miss M had very little in the way of other debts – she had external non-revolving credit – so possibly an existing loan with an outstanding balance of £293.
- It also knew that Miss M had four defaulted accounts – with the most recent default being recorded three months before the inception of the agreement. There were outstanding defaulted balances of £1,800. However, there were no other forms of

insolvencies present such as a County Court Judgements or any other type of payment arrangement.

While Moneybarn was also fully aware of Miss M's income as it verified it, although it didn't, as far as I can see, have an accurate reflection or idea of her actual monthly living costs. I appreciate, the loan may have appeared affordable to Moneybarn but I don't think that conclusion could be fairly reached when no outgoings were considered when it didn't ask her about them.

Like the investigator, I do think that before the loan was approved, Moneybarn needed to at the very least understand what Miss M's actual monthly outgoings were. Because in circumstances where there was adverse payment information it just wasn't reasonable to have relied on statistical data especially in a situation where it knew that Miss M's only source of income was benefits.

It could've gone about making further enquiries about Miss M's living costs and financial situation a number of ways, it could've simply asked her what her actual living costs were, asked for evidence from Miss M about her bills, any other documentation it felt it needed to obtain 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 Miss M's actual living costs are likely to have been like at the time. – I've not done this because I think that Moneybarn ought to have requested this information as part of underwriting this loan. After all, given the amount lent, the term and the credit check result it may have been perfectly reasonable for Moneybarn to have relied on any declared expenditure provided to it.

I accept that 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.

There are no rent or council tax payments visible within the statements and Miss M has said at the time, given her benefits these were being paid directly to the landlord. Therefore, these haven't been considered as part of her monthly expenditure. But I can see from the rent statements she has provided that the landlord was receiving the rent payments at the time the finance was agreed.

The bank statements also confirmed that the income assessment Moneybarn carried out was broadly accurate – and it further demonstrated that Miss M was at the time in receipt of benefits. But as I've said above, solely being in receipt of benefits doesn't lead to the complaint being upheld.

The bank statements provided do show Miss M's living costs for items such as utilities, car costs such as petrol, tax and insurance, TV subscriptions to name a few. This with food and the other direct debits I can see leads to costs of around £700 per month – so broadly in line with what the investigator concluded as well as what Moneybarn used from the statistical data.

Taking account Miss M was already paying insurance and car tax, I'm satisfied that had Moneybarn taken a closer look at her finances – which is what it needed to have done, then it would've concluded the finance was likely affordable for her because she had sufficient disposable income in which to afford the repayments.

So, taking into account what I've seen in the statements I've concluded that had

Moneybarn conducted further checks into Miss M's living costs it would've likely concluded the loan was affordable for her and so I am not upholding the complaint.

other consideration

Miss M has provided a lot of information about her mental health including a medical letter and as I've said above, I want to reassure her that I've read everything she's sent but I don't intend to provide any more detail about it here. But I have taken on board, what she has said.

Miss M has explained that at the time of taking the agreement, she had recently had a change of medication and so may not have fully understood the implications of what she was entering into. However, I've not seen anything that Moneybarn was aware or ought to have been aware of Miss M's condition at the time, as such I can't make any award for this element of her complaint.

Miss M has expressed unhappiness with the interest rate that was offered and applied to her agreement. Generally speaking, the setting of interest rates, is a matter for the lender who has typically assessed the credit risk of the consumer. In this case, firstly I'm satisfied Moneybarn gave Miss M sufficient information about the interest rate as its set out in the credit agreement.

I've also not seen anything to suggest that Moneybarn hasn't applied the rate of interest that it said it would – for example it doesn't appear to have charged Miss M more than what it is outlined in the credit agreement.

I acknowledge that the amount of interest on the lending, is close to the asking price of the vehicle, but there is no cap on what a lender may charge for this sort of product. I therefore can't uphold this element of Miss M's complaint when Moneybarn has applied the interest rate that it said it would.

Miss M has said that she's contacted Moneybarn on a number of occasions, but these don't appear to have been logged and Miss M hasn't provided any specific details as to when she says she called and what she was told. I've been provided with system notes, so I've reviewed these to see what if any help and support has been provided.

Beyond reminder messages there is very little contact between Moneybarn and Miss M between the inception of the agreement and when she raised her concerns with it in 2024. However, I can see from the start of 2024, there are a number of contacts with regards to an early settlement figure.

In February 2024, I can see Miss M speaks to Moneybarn about the possibility of reducing her payments because of arrears with her council tax and Moneybarn then carried out an income and expenditure assessment. It also sign posted Miss M to relevant agencies because it concluded she had negative disposable income each month. I don't consider that to be unreasonable course of action for Moneybarn to have taken.

I can then see a note confirming that the complaint had been raised in May 2024, and then defended. Moneybarn has sent copies of further emails which were received after the final response letter was issued – and I'm satisfied that it's acknowledged the content of these and acted accordingly.

I can see a number of calls have been made between the Miss M and Moneybarn in 2024, but it has told us copy call recordings aren't available so I've not been able to listen to what

Miss M may, or may not, have been told the debt or what other options she had available to her.

But, I can see in an email Miss M sent on 9 July 2024 that she made it clear the payments moving forward would be unaffordable for her and she's requesting reduced payments. This doesn't seem an unreasonable request and reduced payments is of course one of the options that could be available to Miss M. Moneybarn will need to consider this request and act accordingly.

Given the balance on the account, and the repayments Miss M was making its possible the car finance has since been fully repaid. But if there is still an outstanding balance, then Miss M may wish to speak to Moneybarn about any help and support that is available to her. And I would remind Moneybarn that it is now fully aware of Miss M's health – which needs to be taken into account and it has an ongoing obligation to treat her fairly and with forbearance.

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 Miss M or otherwise treated her 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 explained above and in the provisional decision, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 2 April 2025.

Robert Walker
Ombudsman