

The complaint

Mr B complains that Moneybarn No.1 Limited trading as Moneybarn ("Moneybarn") lent to him without carrying out sufficient checks.

What happened

In July 2022, Moneybarn provided Mr B with a conditional sale agreement for a used car through a credit intermediary. The vehicle had a cash price of £12,100 and the full amount was financed. If Mr B made the payments in line with the agreement, he would've been required to pay £7,953.96 worth of interest fees and charges with a total to repay of £20,053.96. The agreement was to be repaid by 47 monthly repayments of £426.68.

Mr B voluntarily terminated the agreement in July 2024 and he still has an outstanding balance to pay of just over £4,000.

Following the complaint, Moneybarn explained why it didn't uphold the complaint. Mr B then referred the complaint to the Financial Ombudsman.

Mr B'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 B's monthly outgoings were. However, even if Moneybarn had taken further steps to review Mr B's outgoings it still would've lent to him. The investigator didn't uphold the complaint.

Mr B didn't agree, saying Moneybarn ought to have reviewed his bank statements before it lent to him, and had it reviewed the statements it would've seen he was gambling. Mr B has also said that as the investigator concluded Moneybarn ought to have done more before lending it should therefore follow the complaint should be upheld.

These points didn't change the investigator's mind and 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 B's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Mr B'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 B 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 B's income which he declared came to be £1,706 per month. Moneybarn didn't just rely on what Mr B had declared – instead it gathered payslips from May and June 2022. This was a proportionate course of action to have taken to try and establish what Mr B's actual monthly income was likely to be,

It looks like Mr B's basic pay was in line with what he declared within his application. However, I can see from the two payslips that Mr B was being paid overtime. Mr B has questioned whether it's reasonable to have included this for the purposes of the affordability assessment.

In the circumstances of this complaint, I think it was reasonable for Moneybarn to have included the overtime payments into Mr B's income. He had received this for the last two months and so it wasn't unreasonable for it to believe that his income would continue at around this level. Having reviewed these, for the purpose of the affordability assessment Moneybarn used a monthly income of £2,177.

Moneybarn then carried out a credit search and it then used those results as well as statistical data to work out what Mr B's likely outgoings were each month. Overall, it worked out that Mr B's likely monthly outgoings came to £1,659. This left around £520 per month in disposable income in which to afford the payment to Moneybarn. The agreement looked affordable – albeit only just.

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 B.

The credit check summary results wouldn't have been of concern for Moneybarn either. It knew Mr B had around £6,800 of existing debt. The credit file seemed relatively clear apart from a default that had occurred 17 months before this agreement.

In my view the default wouldn't have been too concerning because Mr B had reduced the defaulted balance by £800 and so was making headway into what he owed. However, Moneybarn was aware from the credit results that one of Mr B's accounts was reporting as being three months in arrears, so there were some signs that perhaps Mr B may have been experiencing some financial difficulties.

At the point the loan was approved, Moneybarn was fully aware of Mr B'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 to Mr B.

Moneybarn could've gone about checking Mr B's actual outgoings a number of ways. It could've simply asked him what his living costs were, asked for evidence from Mr B about his bills or as I've done, it could've reviewed his copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Mr B'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 B's income and his credit commitments.

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 entirely fair and reasonable to consider any other information I have to had to work out what Mr B's regularly monthly living costs were.

I also want to be clear that solely because I think further checks were needed that doesn't on its own mean Mr B's complaint should be upheld. After all, if further checks would've demonstrated to Moneybarn that Mr B could afford his repayments then it wouldn't have been unreasonable to approve the agreement.

Having looked at the statements I've come to the same conclusions as the investigator for broadly the same reasons. Mr B has provided copy bank statements for the months leading up to the finance being approved. And for the same reasons as the investigator it does seem that Mr B's actual housing costs and other living costs were less than what Moneybarn calculated from both the credit file and the statistical data. As such, had Moneybarn made further checks into Mr B's circumstance it would've likely concluded the loan was affordable.

As I've said earlier on in this decision, Moneybarn had cross referenced Mr B'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 £1,000 per month in disposable income.

I understand that Mr B was gambling at the time he took this agreement. But that information wasn't reflected in the information Moneybarn gathered as part of its assessment. And I don't think a proportionate check would've highlighted the transactions either. So, I don't think Moneybarn would've or could've known about Mr B's gambling.

So, taking into account what I've seen in the statements I've concluded that had Moneybarn conducted further checks into Mr B'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.

An outstanding balance remains due, and I would remind Moneybarn of its obligation to treat Mr B fairly and with forbearance while trying to mutually agree a way forward.

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 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.

Other considerations

Mr B has said he's been defamed in the final response letter where Moneybarn said "*communication from you was limited.*" Mr B says this was incorrect and he had been in regular contact with Moneybarn.

Moneybarn has provided its system notes and I've been able to view the contact between the parties and I do agree with Mr B here – that there has been a fair amount of contact both in terms of emails and telephone calls.

So, I don't think the statement made in the final response letter was an entirely accurate reflection on the level of contact between the parties. But nonetheless, I'm not persuaded that what Moneybarn has said in the final response letter should mean an award is made against it or that compensation should be paid.

I therefore make no award against Moneybarn.

My final decision

For the reasons set out above, I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 March 2025.

Robert Walker
Ombudsman