DRN-5317388

The complaint

Mr M, who is represented by a third party, complains that Moneybarn No.1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In March 2023, Mr M acquired a used car financed by a conditional sale agreement from Moneybarn. He was granted £8,290 in credit which he was required to pay back by way of 60 monthly repayments of £266.37. The total repayable under the agreement was £15,715.83.

The agreement ended in January 2024 after Mr M returned the car, having missed several repayments and being issued with a notice of default in December 2023.

Mr M says that Moneybarn didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Moneybarn didn't agree. It said that it carried out several checks before offering Mr M the finance. These included carrying out a credit search, verifying his stated income by looking at payslips and relying on statistical data to estimate Mr M's likely committed expenditure each month.

Our investigator didn't recommend the complaint be upheld. Whilst he thought that Moneybarn ought to have been prompted to carry out better checks during the application process, ultimately he thought Moneybarn didn't act unfairly or unreasonably by approving providing the finance.

As Mr M didn't agree, his complaint has been passed to me for a final 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 unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr M's complaint.

I've seen that Moneybarn required certain pieces of information before approving the finance. The information on his application said that Mr M was employed full-time and receiving a net monthly income of £1,850. He provided pay slips so Moneybarn could verify his income – showing his income to be closer to £1,700 each month. He also said he was renting his property.

Moneybarn also used a credit reference agency, although it no longer has details of what it found. But its own summary from the time shows he'd recently had a defaulted account. He had also been in an individual voluntary arrangement for his finance. So Moneybarn had got permission from the insolvency practitioner for Mr M to enter the agreement.

Mr M sent us a copy of his credit report. This shows a number of defaulted accounts which he was in the process of repaying, as well as successive payments being missed on other credit accounts in 2022.

Moneybarn also used statistical data to try to work out what Mr M's monthly spending was likely to be. Based on that it calculated he'd have around £440 in disposable income available to him each month, after meeting his household costs and other committed spending, including his existing credit repayments.

I think the issues Mr M had been having with credit ought to have given rise to Moneybarn carrying out better checks. I say this especially given that he'd been in an individual voluntary arrangement. So, Moneybarn simply relying on statistical information about Mr M's likely spending each month wasn't borrower-focused enough to show what his regular committed expenditure and other monthly living expenses were actually likely to be.

I also have to keep in mind that Mr M was taking on a significant financial commitment over a five-year period. I think it therefore would have been proportionate for Moneybarn to have got a more thorough understanding of Mr M's financial circumstances before lending.

I can't be certain what Mr M would have told Moneybarn had it asked about his regular expenditure. I don't think Moneybarn was necessarily required to request bank statements, but it's one way to get a better idea of Mr M's wider financial situation at the time. Mr M has sent us statements from both before and after the agreement was finalised. I should point out that my focus here is on what Moneybarn would likely have seen had it carried out better checks than it did. Therefore, when looking into the affordability of an agreement I wouldn't usually look beyond the point where the finance was approved.

Our investigator thought the bank statements provided didn't give a full enough picture of Mr M's monthly spending on essential items such as rent, utilities, food and other household costs. The statements do however broadly support the level of income that Moneybarn saw on his payslips. They also showed some recent high-cost borrowing. But there isn't a great deal of detail from which to understand how he was managing his day-to-day living costs. To this end, Mr M provided us with a breakdown of his monthly costs, although this was prepared for Moneybarn in August 2023, some months after the agreement had started. Most of these items don't show up on his bank statements. That suggests that some, if not all of them, were being paid by his partner, which is what I'd expect if there were two incomes coming in. Mr M has confirmed that his partner was paying half of the rent. So on that basis, Mr M looks to have had enough disposable funds left each month to be able to meet the monthly repayments.

The rules set by the Financial Conduct Authority includes guidance about what firms must do to undertake a reasonable assessment of creditworthiness before lending. This guidance is known as the Consumer Credit Sourcebook or CONC guidance. The creditworthiness assessment guidance at 5.2A of CONC says firms must undertake a reasonable assessment of their creditworthiness before lending. When looking at their ability to make repayments under the agreement, businesses ought to have regard to the customer's income and 5.2A.12 states that includes *"income received by another person so far as it is reasonable to expect such income to be available to the customer repayments under the agreement."*

I think that's relevant here, given that there's evidence that Mr M was managing his household finances together with his partner. Had Moneybarn carried out better checks at the time and seen that contributions were being made by both Mr M and his partner, it would have been entitled to take this into consideration when seeing if the new credit was likely to be affordable and something that Mr M and his partner could repay sustainably.

Mr M also says he'd told Moneybarn he was working full time hours but wasn't employed on that basis. Instead, he worked under contract. He suggests that Moneybarn ought to have known this. Having checked Mr M's income by way of payslips, I'm not sure there was anything to prompt it making further enquiries about his income. It was of course open to Mr M to volunteer this information, but I doubt he would have wished to in case it jeopardised his being approved for the finance.

So, the overall impression I've gained is that Mr M and his partner were using their joint income in order to be able to meet their committed expenditure together, including their regular household costs and credit repayments. At the time of the agreement, I don't consider there to have been any notable evidence of Mr M's financial situation worsening. And so I think there's enough to suggest that Mr M was likely to be able to fund the monthly repayments affordably and, going forwards, on a sustainable basis.

I do appreciate that Mr M's circumstances changed after the agreement had started, leaving him responsible for all the household bills. He also went through a period of unemployment. But Moneybarn needed to make its decision to lend based on that it saw about Mr M's financial situation at the time he made his application.

It follows that I agree that, given his level of personal income plus the income he was receiving from his partner, Mr M was likely to have been able to fund the monthly repayments that would be due under the agreement. And I think this is something Moneybarn would have seen too had it made further enquiries. So, I don't consider that Moneybarn was unfair to have agreed to provide Mr M with the finance.

I've seen that Mr M got in touch with Moneybarn when it contacted him about his arrears on the agreement. I've looked at the steps it took and support it offered. Whilst I'm not suggesting that there wasn't anything more it could have done, what I've seen doesn't show that Moneybarn acted unfairly or unreasonably.

I've considered whether the relationship between Mr M and Moneybarn might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr M or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 June 2025.
Michael Goldberg
Ombudsman