

## The complaint

Miss S complains through a representative that Moneybarn No.1 Limited trading as Moneybarn (“Moneybarn”) gave her a loan without carrying out the correct checks. Had it made better checks it would’ve seen the agreement wasn’t affordable.

## What happened

In July 2020, Moneybarn provided Miss S with a conditional sale agreement through a credit intermediary for a used car. The car had a cash price of £17,695 and the full asking price was financed. The agreement had interest, fees and charges totalling £15,071.83 with a total to repay of £32,766.83. This sum was due to be repaid in 59 monthly instalments of £555.37. Miss S had some problems repaying her finance and the agreement was terminated in June 2023, before Miss S settled the balance in September 2023.

Following Miss S’s complaint, Moneybarn issued a final response letter in July 2024, where it explained it wouldn’t be upholding the complaint. Miss S’s representative then referred the complaint to the Financial Ombudsman.

Miss S’s complaint was then considered by an investigator. They didn’t uphold the complaint even though they thought Moneybarn needed to have done more before lending to Miss S. Finally, the investigator said Moneybarn had treated Miss S fairly.

Miss S’s representative disagreed with the outcome, saying in summary.

- Miss S’s benefits shouldn’t be considered as income and this is reinforced by a other final decision that has been issued by the Financial Ombudsman - which confirmed Disability Living Allowance (DLA) couldn’t be counted as household income.
- This previous decision sets a precedent and so this needs to be adhered to in this complaint as well – the DLA ought to not have been counted for the purposes of the living expenses.
- The checked income by Moneybarn wasn’t an accurate reflection of her actual employed income.
- The agreement represented nearly 50% of Miss S’s salaried income and there was a risk of financial distress given the length of the agreement.
- Miss S had three unpaid direct debits in the months before the agreement started.
- An additional payment of £200 per month hadn’t been factored into the investigator’s expenditure. Including this payment would’ve left just £134 per month to cover any other costs – which isn’t sufficient.
- Any further review of Miss S’s financial position would’ve shown the difficult situation she was already in.
- Two months before this loan Miss S had entered into a high-cost credit loan which indicated she was struggling. And she had arrears with a mobile phone account.

These comments didn’t change the investigator’s mind. 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 S's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Miss S'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 S 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'm sorry to hear about the health challenges Miss A has had to face and the impact this has had on her ability to work. I do hope things have improved for her since the complaint was referred here. I've not mentioned, her health in any more detail throughout the decision in order to respect Miss S's privacy, but I have fully read and considered and she has said.

### **the lending decision**

Moneybarn, as part of the application process, took details of Miss S's income and she declared she received £2,343 per month from full time work. Moneybarn said that as part of the affordability check it cross referenced the information given by Miss S 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.

In addition to checking Miss S'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 it used the data from her credit search to determine what her monthly credit commitments were.

Moneybarn worked out that Miss S's monthly outgoings before the loan payment came to around £1,539 (rounded) per month. This left more than enough disposable income for Moneybarn to conclude the agreement was affordable.

Moneybarn also carried out a credit search, but its confirmed it doesn't have a full copy of the raw data that it received. But it has been able to provide a summary of the data. 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 S had very little in the way of other debts – she had existing credit, possibly an existing loan, with an outstanding balance of £684.

- It knew Miss S had two defaulted accounts – with the most recent reported 13 months before the agreement started. However, Moneybarn was told the defaulted balances had reduced from £1,500 to £700.
- There were also two CCJs – the most recent of which was recorded 16 months before and Miss S had outstanding balances of £3,300.
- Moneybarn was told a current utilities account was at least six months in arrears.

Moneybarn has said that it wasn't overly concerned by the defaults, as these had been recorded over a year before the agreement and Miss S had demonstrated she was paying down the balances. While that maybe the case, I do think the defaults and the CCJs ought to have led Moneybarn to question whether it knew enough about Miss S's financial position before it lent to her.

Moneybarn didn't, as far as I can see, have an accurate reflection or idea of her actual monthly living costs and it only had a general idea about her income. I appreciate, the loan may have appeared affordable to Moneybarn but I don't think that conclusion could be fairly reached when Miss S's outgoings were based on ONS data and while it knew there was adverse payment information.

Like the investigator, I do think that before the loan was approved, Moneybarn needed to, at the very least, understand what Miss S's actual monthly outgoings were and perhaps make enquires about her income. Moneybarn could've gone about making further enquiries about Miss S's financial situation a number of ways, it could've simply asked her what her actual living costs were, asked for evidence from Miss S about her bills or as I've done, it could've reviewed copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Miss S's actual living costs were 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. And, there were other ways that Moneybarn could've gone about checking what Miss S's actual monthly living costs were.

The investigator said, perhaps Moneybarn ought to have checked Miss M's income – given the adverse payments information. I can understand why he suggested this, and I can see that Miss S's salaried income was just over £1,100 per month. But on top of this there were a number of benefits that she received, and this significantly increased her income each month. In total, the income and benefits gave Miss S an income of just over £4,100 each month.

I have considered the submission by Miss S's representatives around her income – and that it wasn't fair or reasonable to include the benefit payments, which according to other decisions issued by the Financial Ombudsman ought to not be counted as part of Miss S's monthly income.

Miss S's representatives have provided references to two other decisions where findings were made that one of the benefits ought to not be included. As both parties will know my remit is to come to a fair and reasonable outcome, based on the information that has been made available to me. There is no requirement for me to replicate other decisions that has been issued by other Ombudsman colleagues – the issuing of a decision does not set a precedent especially as I'm required to consider each case on its own individual merits.

Secondly, looking at the factors in at least one of the cases – one is about a statistic caravan which appears to have been at times rented out. Those circumstances are completely different to this case. Here, Miss S was using the car every day and in her complaint form

has provided testimony as to the importance as why she needed a larger vehicle in order to be able to transport the equipment that is needed for her children.

So, to me, at least superficially, it seems that Miss S was using the benefits she had received as intended, to cover the additional costs of having to finance a larger vehicle to carry the equipment that she says that she needed.

I've already explained above why I think, had further checks been made into Miss S's income Moneybarn would've discovered the additional payments and why I think, given the circumstances it would've been fair to have included these within the household income. So, I don't think it's quite right to say the repayment represented 50% of Miss S's income – because based on the information which Moneybarn would've likely discovered Miss S's monthly income was greater than this.

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.

Looking at the bank statements, I can see there were a number of transfers between different accounts in Miss S's name. The "savings" account statements have been provided but there were no savings. Miss S was just moving funds out of the main account and then moving them back in. So, I'm satisfied that Miss S didn't have any other money put aside or other sources of income.

Aside from the transfers, I can see she had rent payments of £1,300 per month, existing loan payments of just over £194 per month as well as TV subscription services of anywhere between £150 and £180 per month. Miss S says her gas and electric were around £200 for both and I've not seen anything to make me think that wasn't the case.

There were also payments for items such as food and fuel and water bill. There were of course, evidence of other irregular bills such as for the TV licence, payments to a rent to own retailer as well as variable monthly account fees.

However, even taking account of all the known monthly costs along with the irregular payments I've mentioned above, had Moneybarn taken a closer look at Miss S's finances then it would've likely discovered and concluded the finance payments were affordable.

I've also thought about the payments that Miss S was making that her representative said was costing her £200 per month – and if those payments were included in her monthly living cost the same conclusion would've been reached – the agreement appeared affordable.

But, those payments aren't visible, each month, in the bank statements leading up to the agreement – so I can't be sure that if this a new and ongoing commitment that Miss S had to make. And even, if Moneybarn would've seen the payment I think its would've reasonably concluded that these were payments that were being made towards a holiday and so wouldn't ordinarily be thought of as non-discretionary expenditure – which is what Moneybarn needed to think about.

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 S's living costs it would've likely concluded the loan was affordable for her and so I am not upholding the complaint.

***other consideration***

I've also considered what Miss S says about the lack of help and support that Moneybarn offered her once she encountered repayment difficulties. In order to see what happened here I've reviewed the contact notes that have been provided by Moneybarn.

I can see that when Miss S initially had repayment difficulties in 2022, Moneybarn tried to speak to her and sent her emails, letting her know the account was in arrears and to see whether it could help. The notes suggest that Moneybarn wasn't able to reach Miss S.

Due to continued non-payment Moneybarn issued a default notice in May 2023, according to the notes by this point it hadn't heard from Miss S about any problems she may have been having or whether there was anything else Moneybarn could do to help her.

Following the agreement being terminated in June 2023. Terminating the agreement was a reasonable course of action to have taken given the amount of arrears and the apparent lack of contact from Miss S. As the agreement was terminated, Moneybarn was entitled to possession of the car – after all Miss S wouldn't be the owner of the vehicle until the final payment had been made.

I can see that Moneybarn reached out to Miss S on 4 July 2023, but the phone line wasn't great and the phone line dropped out – meaning Moneybarn couldn't discuss the situation with Miss S any further. Based on the contact notes, there were as no further contact from Miss S until 18 August 2023, where Miss S asked for the payment date to be changed because by doing so it would prevent other payments being missed.

Moneybarn did respond to Miss S – two days later which I consider to be fairly prompt. Its response explained what needed to do to allow Moneybarn to amend the payment date.

When the vehicle wasn't returned, I can see that Moneybarn commenced legal action but the agreement was settled before the court hearing could take place. I understand that Miss S took further finance in order to pay Moneybarn. But had Miss S not taken this action, she'd have had to return the car to Moneybarn and she's outlined in her complaint form why she needed the car that she had.

I'm sorry to hear that making these payments was difficult for Miss S but based on the contact notes received, I don't think Moneybarn treated her unfairly once the account entered arrears and so no awarded needs to be paid.

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 S 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, I'm not upholding Miss S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 18 April 2025.

Robert Walker  
**Ombudsman**