

The complaint

Mr O argues that Moneybarn No. 1 Limited trading as Moneybarn lent irresponsibly to him when it agreed a conditional sale agreement to purchase a van.

What happened

In May 2022 Moneybarn agreed a conditional sale agreement of £14,430. The consumer paid an additional £3,570 advance payment making the total cost of the vehicle purchased £18,000. The term of the agreement was 60 months and the monthly repayments were £506.67, making the total cost of the agreement £33,463.53.

Together with his representative, Mr O has argued that Moneybarn failed to check his financial situation and whether he could afford the monthly repayments before granting this agreement. His credit file showed he had CCJs and missed payments.

Mr O has also argued that a falsified expenses form had been added to his file which said his rent was £750 when it was actually £1250 at the time.

Moneybarn disagreed and said it completed a number of checks before deciding to lend. It said it completed a credit search and verified his monthly income. It also estimated his regular expenditure and said that, based on the information the checks revealed, it was reasonable to lend.

Unhappy with Moneybarn's response Mr O referred his complaint to our service. Our investigator considered this complaint. They thought that although Moneybarn should have completed additional checks, this was still likely to show the lending was affordable for Mr O. So they didn't uphold the complaint. Mr O didn't agree and asked for an ombudsman to consider the complaint.

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.

Having done so, I'm not going to uphold this complaint. I appreciate this will be disappointing for Mr O.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mr O's complaint.

Moneybarn needed to make sure it lent responsibly to Mr O. It therefore needed to complete sufficient checks to determine if Mr O could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Generally, we think that earlier in a lending relationship it would be reasonable for a lender's checks to be less extensive. However, we might expect a lender to do more, for example, if a borrower's income was low or the amount lent was high.

Did Moneybarn complete reasonable and proportionate checks before agreeing to lend?

Before agreeing to lend Moneybarn asked Mr O for his net monthly income, before verifying it using his bank statements and it completed a credit search. It also said it estimated Mr O's regular expenditure using Office of National Statistics ("ONS") data excluding Mr O's rent which it took from his bank statements. It said based on the information gathered, the agreement appeared affordable for Mr O.

I've considered the checks Moneybarn completed, and I agree with the investigator – I don't think they were sufficient. Moneybarn has provided a summary of the credit search results which demonstrate that Mr O had two CCJs with the most recent being around 9 months prior and an outstanding balance on the CCJs of £3,800. I'm also mindful that the total cost of the agreement was over £33,000 and Mr O needed to maintain the repayments over a five-year term. I therefore think Moneybarn should have wanted to gain a better understanding of Mr O's actual expenditure before deciding if this agreement would be sustainably affordable for him.

Moneybarn had access to Mr O's bank statements for the three months prior to the loan in question. So I think it would have been reasonable for Moneybarn to review Mr O's actual expenditure using these statements, before agreeing to lend.

Based on the information the checks revealed, did Moneybarn make fair lending decisions?

Mr O declared a net monthly income to Moneybarn during his application of £1,803. Moneybarn gathered bank statements to verify his income and as a result of this it recorded £6,375.67. This seems like an unrealistic figure given Mr O's income declaration and given he had an outstanding default balance and two CCJs. However, the CCJs and default were largely historic looking at when they took place. And when I look at the bank statements for the three months prior, which Moneybarn had access to, I arrive at an average monthly figure of £6,000 income. Of the £6,000, around £5,000 seems to be as a result of Mr O's income. This is excluding any child benefit or other benefits coming into the account which were around an additional £1,700 on average over the three-month period.

Mr O has argued that his actual income was significantly less, as the figures in the account don't account for the cost of materials and other business expenses etc. He has provided a profit and loss summary which he has compiled showing a net profit of just over £15,000 for the year ending March 2022 and a similar amount is estimated for year ending March 2023 (the loan in question was May 2022.)

I've considered Mr O's argument that the credits essentially aren't net income as he will need to pay for materials etc. However, if I look at how the account is being run this doesn't suggest the credits are anything other than net income or that Moneybarn ought reasonably to have reached a different conclusion on this point. I can't see consistent large transfers in or out of the account which could explain the level of business expenditure Mr O has said he had. Or anything to suggest the majority of the credits coming into the account aren't being used for anything other than regular expenditure of Mr O and his family including a high level of discretionary expenditure. And this is over a three-month period so if the vast majority of Mr O's deposits each month needed to be used to sustain his business, as he argues, I'd expect to see signs of this.

Ultimately what I need to consider here was if Moneybarn had taken reasonable and proportionate steps to consider Mr O's income and expenditure, would this have suggested that Mr O could afford to sustainably repay the agreement? And whether or not this was Mr O's actual position, I think the information would have suggested he could afford to sustainably repay the agreement.

I appreciate business income fluctuates, so it seems reasonable that a monthly average over the three months would be considered. And when I look at the expenditure on the account it appears that even after I allow for all the regular expenditure and reasonable other costs for a family, there would still have been a considerable surplus which Mr O could have used to repay this agreement. And this is excluding the additional benefits amounts that are received relating to their children which average around an additional £1,700 per month.

I've also considered the results of the credit search and whilst they show Mr O had some outstanding debt, it doesn't suggest an unsustainable amount. And looking at his statements, I can see he could comfortably afford to make regular repayments towards two credit cards of around £300-400 per month in total. So he was making meaningful repayments towards these balances. I also can't see recent problems managing his money as the CCJs were around nine months prior and the default was 32 months prior.

I appreciate Mr O has argued that Moneybarn took into consideration an incorrect figure for his rent payment. When our investigator asked Moneybarn about this it explained that this was from a later income and expenditure assessment that Mr O completed with a third party. Looking at the information Moneybarn took into consideration before agreeing to lend, I can see it did take into consideration the correct figure. However, in any event, as I've explained above, I think Moneybarn needed to take a closer look at Mr O's actual expenditure using the statements it had available. I've looked at Mr O's statements and considered the information contained in them (including the correct rental payment) and I still think this information should have suggested to Moneybarn that it was reasonable to lend. So, I don't think this impacts the outcome on this case.

Taking everything into consideration, I think if Moneybarn had completed reasonable and proportionate checks before agreeing to lend, it's likely it would have still reached the conclusion that Mr O could have afforded to sustainably repay this loan. So, I think overall, Moneybarn made a fair lending decision.

My final decision

For the reasons explained I don't uphold this complaint against Moneybarn No. 1 Limited trading as Moneybarn.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 23 April 2025.

Claire Lisle
Ombudsman