

## **The complaint**

Mrs P complains Moneybarn No.1 Limited (Moneybarn) acted irresponsibly by agreeing a conditional sale agreement she couldn't afford to repay.

## **What happened**

The facts of this case are familiar to both parties, so I won't repeat them again in detail here. Instead, I'll provide a summary.

In February 2021 Mrs P acquired a used car financed by a conditional sale agreement from Moneybarn. The cash value of the goods was £5,020. This was funded by a deposit of £1,000 and £4,020 in finance. Mrs P was required to make 59 monthly repayments of £133.66. The total amount repayable under the agreement was £8,885.94. The account was settled in March 2024.

In August 2024 Mrs P, via a professional representative (PR), complained to Moneybarn about its decision to lend.

In November 2024, Moneybarn issued its final response to the complaint, in which it said it did not think it had acted unfairly. Unhappy with this PR, on behalf of Mrs P, referred the matter to our service.

One of our investigators reviewed Mrs P's complaint and issued his findings in February 2025. In doing so, the investigator didn't think Moneybarn had treated Mrs P unfairly, and so he didn't recommend that the complaint be upheld.

PR on behalf of Mrs P didn't agree with the investigator's findings and, in doing so, provided its reasons why. The investigator considered the points PR raised but, having done so, did not reach a different conclusion.

As an agreement couldn't 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.

Having done so, I've reached the same outcome as our investigator and for the same reasons. I recognise this will be disappointing for Mrs P, however I hope my explanation helps her to understand why I've come to this conclusion.

However, first and foremost, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website.

Moneybarn needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs P could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mrs P was likely to have been able to repay the borrowing in a sustainable way?

i. If Moneybarn carried out such checks, did it lend to Mrs P responsibly using the information it had?

Or

ii. If Moneybarn didn't carry out such checks, would appropriate checks have demonstrated that Mrs P was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mrs P lose out as a result of Moneybarn's decision to lend to her?

3. Did Moneybarn act unfairly or unreasonably in some other way?

#### Did Moneybarn carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mrs P was applying for along with the size, length and cost of the borrowing; and
- Mrs P's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;

- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs P's complaint.

Prior to agreeing to lend, Mrs P was asked to provide details of her net monthly income. Mrs P declared her net monthly income was £1,350. Moneybarn verified this by reviewing Mrs P's bank statements covering a few months prior to the lending in question. Having done so, Moneybarn made an upward adjustment to Mrs P's net monthly income to £1,502.63.

Moneybarn also used information it gathered from Mrs P's bank statements – in conjunction with statistical data from the Office of National Statistics (ONS) - to estimate Mrs P's non-discretionary expenditure. From this, it added a buffer of £39.97 and, having done so, it calculated Mrs P's disposable monthly income was around £300.90. As a result, Moneybarn determined the monthly repayments for the lending in question would be affordable and sustainable.

Moneybarn also say they did a credit check. It can't provide a copy of the full output from these checks, although it has provided a summary of what it saw. The summary suggests Moneybarn saw Mrs P had no existing credit commitments of any kind. Further, it appears Mrs P had no outstanding County Court Judgements (CCJs) or recent payday lending.

Taking into consideration the size of the loan and the monthly repayments relative to what Moneybarn understood to be Mrs P's income, I think it proceeded with a proportionate amount of information. However, as I've said before, once Moneybarn had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Mrs P could afford to meet the loan repayments in a sustainable way over the term of the loan.

#### Did Moneybarn lend to Mrs P responsibly using the information it had?

Using the information Moneybarn saw about Mrs P's income on her bank statements – together with what it gathered about her non-discretionary expenditure based on a combination of the bank statements and ONS data - it looked like she had £300.90 disposable income per month. So, Moneybarn was satisfied that the loan repayments for this loan should've been affordable for Mrs P on a simple pounds and pence basis.

I've looked through the bank statements and, after setting aside Bereavement Support Payments<sup>1</sup> and sporadic receipts from what appear to be friends or family, it looks like Miss P was receiving a little over £1,400<sup>2</sup> a month.

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<sup>1</sup> I've disregarded the Bereavement Support Payments because the entitlement to this is capped at 18 months. Therefore, it wouldn't be considered a regular and ongoing source of income throughout the life of the agreement.

Moneybarn used Mrs P's bank statements to ascertain her housing and vehicle costs and then applied ONS data to calculate the rest of her non-discretionary expenditure. Having done so, it calculated Mrs P's total expenditure was around £1,162 (excluding the buffer). I don't think Moneybarn acted unfairly by using ONS data to supplement its understanding of Mrs P's expenditure. But, in any event, I've looked through Mrs P's bank statements and I think the figure Moneybarn relied on is, broadly, an accurate representation of Mrs P's expenditure. Indeed, I note in response to our investigator's findings, PR provided its own document titled 'Financial Review' which calculated Mrs P's expenditure based on the bank statements was, on average, £1,111.24 each month.

With that being the case, it seems Mrs P would have had sufficient income to cover her reasonable living costs, meet her monthly repayments throughout the life of the loan and be left with some disposable income.

What's more, as our investigator noted, the bank statements suggested Mrs P was managing her finances well. Her account was consistently in credit by at least £1,500 – often it was significant more than this – which would add weight to the notion that Mrs P was not experiencing financial difficulties such that she would struggle to sustainably meet the repayments for the lending in question without undue difficulty.

I note there the bank statements do show debits for nominal amounts to what appear to be two different debt recovery firms in the months prior to the lending in question. I've thought about this. Having done so, I don't think Moneybarn needed to do more to understand what these debits relate to in order to make a fair lending decision.

I say this because, as I've said, Moneybarn also carried out a credit check prior to agreeing to lend. And although the credit search results Moneybarn has sent to us are somewhat brief, it indicates that it had no reasons to be concerned. The results suggested Mrs P had no active credit commitments of any kind. And there was no evidence of recent financial stress, such as defaulted accounts, CCJs or recent reliance on short-term lending.

So, whilst I wouldn't necessarily expect Moneybarn to have carried out the level of forensic analysis that would have covered this level of detail, for such borrowing, if it had done, it would likely have concluded that the debits pertained to historic debts and were not indicative of current financial stress or strain. Further, it would have seen Mrs P was able to sustainably make payments under an agreed payment plan to pay down these debts whilst also sustainably meeting the repayments for the lending in question.

So, looking at things in the round, I don't think the information Moneybarn gathered prior to agreeing to lend – including the bank statements and the results of the credit check it carried out - should have prompted further checks or prevented it from lending to Mrs P.

In summary, I think Moneybarn carried out reasonable and proportionate checks prior to agreeing to lend. And I don't think there was anything within the checks Moneybarn carried out that suggested to it that Mrs P would struggle to afford the monthly repayments over the term of the loan.

Did Moneybarn act unfairly or unreasonably in some other way?

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<sup>2</sup> Comprised of Universal Credit of £1,016.31 received monthly and Personal Independent Payments of £356.60 received on a four-weekly cycle, which equates to £386.32 when calculated on a monthly basis.

In its letter of complaint, PR on behalf of Mrs P has said that Moneybarn failed to adopt appropriate measures when Mrs P's financial position worsened and she began to miss payments.

From the information I've seen it appears, throughout the life of the agreement, all payments were made in full and on time until the account was settled early in March 2024. As such, there is no evidence of missed payments or arrears on the account. With that being the case, I can't reasonably say Moneybarn has acted unfairly in this regard.

In reaching this conclusion, I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Mrs P has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mrs P or otherwise treated her 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 given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 26 August 2025.

Ross Phillips  
**Ombudsman**