

The complaint

Mrs A complains through a representative that Moneybarn No.1 Limited trading as Moneybarn ("Moneybarn") gave her finance without carrying out sufficient affordability checks.

What happened

In August 2021, Moneybarn provided Mrs A with a conditional sale agreement for a used car. The cash price of the car was £9,539. Mrs A paid a £658 deposit and so £8,881 was financed. The agreement had interest, fees and charges of £7,198.27, with a total amount to repay of £16,737.27. This sum was to be repaid in 59 monthly instalments of £272.53. The agreement was settled in November 2023.

Moneybarn issued a final response letter about Mrs A's complaint in April 2024, and it didn't uphold the complaint. Mrs A's representative then referred the complaint to the Financial Ombudsman.

Mrs A's complaint was considered by one of our investigator's. The investigator said Moneybarn ought to have carried out further checks into her finances before lending because there was evidence of Mrs A already struggling to meet her existing commitments.

However, Moneybarn's own affordability checks also only left Mrs A with £18 per month in disposable income – which meant the finance wasn't sustainable. So, the investigator upheld the complaint.

Moneybarn didn't agree, saying the investigator concluded it ought to have carried out further checks, yet as part of the assessment the investigator didn't consider Mrs A's bank statements which would've provided a more accurate picture of her circumstances. Moneybarn also said that Ms A repaid her agreement as expected for 27 months – until it was settled.

These comments didn't change the investigator's assessment and so 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 Mrs A's complaint. Having carefully thought about everything I've been provided with and I'm upholding Mrs A'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 Mrs A 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 found out that Mrs A worked part time and she declared a monthly income of £1,097. Moneybarn says it went about cross referencing this information with a tool provided by a credit reference agency. Moneybarn, for its affordability assessment didn't make any adjustments to this figure – so the check likely confirmed what Mrs A declared was accurate.

Moneybarn has also said it carried out a credit search and it has provided a summary of the results it received. Mrs A owed other creditors £2,867 as well as a home credit loan with a balance of £210. Moneybarn worked out Mrs A monthly commitments came to £189 per month. However, Mrs A also had a default of £500 that had been reported only five months before the finance was granted – which couldn't just be ignored.

Moneybarn also says it then would've made "*reasonable consideration for your existing expenses*". Moneybarn used Mrs A's income, minus the credit commitments it knew about and then it took Office of National statistics data to work out Mrs A's other costs such as council tax, utilities, living costs and housing costs. Moneybarn worked out Mrs A's existing monthly outgoings came to £806 – leaving £291 per month in disposable income.

The investigator concluded, after the loan payment of around £272 this would've left Mrs A only £18 per month in disposable income, which wasn't enough – and I agree with this conclusion.

The amount left over, in my view, isn't sufficient to have allowed Mrs A to take on this finance and cover any other costs such petrol and any unexpected costs she may have had especially as this agreement was due to run for five years.

I'm therefore satisfied that Moneybarn's own checks ought to have led it to conclude that Mrs A couldn't afford the agreement because there was a real risk that the payments weren't going to be sustainable for her. Leaving someone only £18 per month to cover unexpected costs, is in my view not reasonable. So, it ought to have concluded that it shouldn't have lent to Mrs A.

However, Moneybarn seems to be saying that because, in its words, Mrs A was a prefect payer – up to the point the agreement was settled then a financial review of her circumstances was needed.

Moneybarn says a review of the bank statements would've given it an understanding of her actual income and outgoings at the time. To be fair this was partly in line with the investigator's conclusions. To be clear, Moneybarn didn't do any further checks at the time, but I've considered what Moneybarn has said, and it makes no difference to the outcome that I've reached.

Even if were to follow Moneybarn's logic – and conclude it ought to have done more, such as reviewing Mrs A's bank statements, in my view it would've still concluded the agreement wasn't affordable and I've explained why below.

Firstly, Moneybarn would've likely discovered Mrs A's income was greater than it had recorded and checked. Mrs A received a weekly income from her job of around £113, weekly child benefit payments of around £49 and then a further benefit payment of about £1,665. Overall, her monthly income was around £2,300 per month.

But nonetheless this wouldn't make the payments affordable. I can see regular petrol payments of around £30 per week, food of at least £100 per week, council tax of £100 per month, utilities of at least £150 per month, TV licence of £13, mobile phone / internet payment of £100 per month.

On top of this, each month there is also a regular payment that appears to be for rent and a payment marked as 'Mum' – I'm not certain what this payment was for but it's made each month and so it's likely to be a regularly commitment. This is a further £800 per month.

There are of course other payments which I can see and not mentioned above, but my review of the bank statements gives me – with credit commitments of around £2,100 per month – and so this would've left Mrs A with insufficient disposable income to be able to afford the finance, insurance and car running costs.

Overall, like the investigator I'm satisfied that Moneybarn's own checks ought to have led it to conclude that the agreement wasn't likely to be sustainable for Mrs A. But even if Moneybarn, thought that ought to have prompted further checks, those further checks would've also highlighted that Mrs A didn't have sufficient disposable income to afford the repayments that she was committed to making. I am upholding the complaint regardless of what, if any further checks Moneybarn may have made.

Finally, I've considered whether Moneybarn acted unfairly or unreasonably in any other way and I've thought about whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs A in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Moneybarn should do the following;

- refund anything Mrs A paid above the cash price of the car of £9,539;
- apply 8% simple yearly interest on the refund, calculated from the date Mrs A made the overpayments to the date of the refund†; and
- remove all adverse entries relating to this agreement from Mrs A's credit file.

†HM Revenue & Customs requires Moneybarn to take off tax from this interest. Moneybarn must give Ms A a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've outlined above, I am upholding Mrs A's complaint.

Moneybarn No.1 Limited trading as Moneybarn should put things right for Mrs A as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 24 April 2025.

Robert Walker
Ombudsman