

The complaint

Mr C, through his representative, complained that Moneybarn No. 1 Limited trading as Moneybarn lent to him by agreeing to extend finance to purchase a car in April 2019 when he could not afford it.

What happened

Mr C applied to Moneybarn for car finance in late April 2019. It was for a second hand car for £5,995 plus interest which meant that the total to pay was £11,233.01. The agreement was to be paid over 60 months at £190.39 each month. It was signed by Mr C on 30 April 2019. The mileage at time of sale was 96,000. The final response letter from Moneybarn (FRL) outlined the reasons why Moneybarn did not consider that it had lent irresponsibly. The complaint was referred to the Financial Ombudsman Service. One of our investigators considered the complaint and did not uphold it. Mr C's representative sent submissions as to why it disagreed. The unresolved complaint was passed to me to decide.

Further background

There are some more background details which I outline here. Mr C was due to pay the first instalment for the car on 16 June 2019 which he did. Mr C called Moneybarn in June 2019 to say that he was going into a Debt Management Plan (DMP), and that an Individual Voluntary Arrangement (IVA) option was being looked at for him. The IVA was arranged and Moneybarn was notified. Having researched public records that IVA commenced late 2019 and ended Spring time 2025. This has been confirmed to me by Mr C's representatives.

In the FRL Moneybarn has said that upon successful completion of the IVA Mr C's remaining balance will be removed.

The full £190 each month for the car was repaid apart from a couple of months payment holiday in April 2020 and May 2020 due to changes of circumstances linked with the Covid 19 pandemic.

In the meantime, the car was involved in an accident in July 2020. Notes indicate that it was being assessed to see if it was a 'write-off' car. The Moneybarn account notes indicate it was a '*beyond economic repair VT*'. It was returned to Moneybarn on 20 April 2021 as a Voluntary Termination and put up for sale and appears to have been sold around that time. The 'halfway value' was identified as being £5,616.51. The money still owed by Mr C as part of the 'halfway conditions' meant that he still had a balance of £1,808.70 to pay. I have received confirmation from Mr C that this £1,808 balance was incorporated into his IVA.

On 10 July 2025 I issued a provisional decision giving reasons why I considered that Mr C's complaint should be upheld. I asked for clarification on the IVA and the final balance position. Having received that from both parties, and having received acceptance of the provisional decision from both parties then what follows is a duplication of it.

What I provisionally decided on 10 July – 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 Mr C's complaint. Moneybarn needed to make sure that it didn't lend

irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr C 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 – suggesting the lender needed to know more about a prospective borrower's ability to repay. Moneybarn has sent to us details of the checks it carried out.

Mr C had declared he did not earn less than £1,200 each month. Moneybarn says it checked that income using a credit reference agency tool. It knew Mr C was retired. It used Office of National Statistics (ONS) data to create a list of expenditure costs. It said that these non-discretionary costs were £632.66 each month. This figure was made up of housing costs, utility bills, council tax, vehicle running costs and basic living costs.

It also carried out a credit search which indicated that Mr C was paying around £176 each month on existing credit commitments. Moneybarn had gathered that his total outstanding balance on his credit accounts was £9,703 of which £2,689 was revolving credit (such as credit card and store card accounts) and the non-revolving credit figure was £7,014. There was no adverse credit history according to the records supplied by Moneybarn. Moneybarn added a 'buffer' figure which I take to mean a kind of margin sum of £33.54.

On its own figures Mr C had £357.80 left after paying his non-discretionary costs and his credit commitment costs (plus the margin figure being included) to use to repay the car cost over 60 months of £190.39 each month. That meant just over £167 a month left which translated into just under £39 a week. Non-discretionary costs is a term which relates to items for which Mr C has no option but to pay and usually includes the priority bills listed by Moneybarn and would not include food.

I can see that Moneybarn has carried out checks which in usual circumstances I'd consider likely to have been proportionate. But in Mr C's circumstances I do not. And I say that because Mr C did not earn a great deal and as I have outlined at the beginning of this section of my decision, where a person's income is low we'd expect extra care to have been taken. And the agreement was due to have been for 5 years. So, I think more detailed checks ought to have been carried out. And this concern is borne out by the fact that the rudimentary and ONS statistical data checks had resulted in a small figure left over of around £39 a week for food and other costs. That was too low for a responsible lender, in my view, to have considered that this agreement was affordable and sustainable over five years.

Asking Mr C for further information about his financial situation may have involved him supplying copies of utility bills, copy details of what he received by way of pension or any benefits, and evidence of other expenditure and credit accounts for which he was liable. Although Moneybarn had used ONS figures I think it needed to have more accurate information to be satisfied that Mr C was able to finance the purchase of this car. A convenient method, one of several available, was to have reviewed copies of Mr C's bank account statements which usually show a wider picture of his finances and how he was managing his money.

Mr C has provided several months' worth of bank account statements for 2019. Having reviewed them I can see that Mr C was paying around £163 a month for an earlier finance agreement with a company that looks to have related to a car. After Mr C had taken the Moneybarn car finance those ceased. But that was for around £163 a month and still Mr C was showing signs of financial difficulties – there were returned direct debits.

Mr C was also having to transfer money from his savings account to pay for things. I've seen the balance on that savings account held with the same bank and he had around £161 in it in

April 2019 which was the month before he started to pay the Moneybarn finance cost of over £190 each month. So, his savings had depleted to such an extent that they would not have been of assistance to Mr C paying this agreement off.

Plus, I can see that Mr C was paying towards at least two credit cards. And that he received DWP income which was not very much each month.

From review of those statements, I find it difficult to see how Moneybarn considered he was able to afford a more expensive car when he was struggling to afford the car finance he already had which was cheaper each month.

I've seen that our investigator also looked at Mr C's bank account statements and thought that having £109 a month for food and other costs was sufficient – I disagree. Mr C's representative has submitted that point to us. Having reviewed the bank statements for Mr C in the period leading up to signing the Moneybarn agreement, and accounting for the fact his current car finance would end (costing £163 a month) and be replaced by the Moneybarn one which was around £30 a month more expensive, still I consider that Mr C did not have enough to cover all his existing credit commitments, non-discretionary expenditure and vital costs such as food.

And I think that events demonstrate this as Mr C was in a DMP and facing an IVA within weeks of entering this agreement with Moneybarn. I plan to uphold the complaint.

This is the end of the duplicated provisional decision. The redress section of the provisional decision has not been duplicated here. The items I needed clarifying from both parties have been sent to me.

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.

Both parties have agreed to the outcome I set out in the provisional decision. Mr C has confirmed that the last part of the sums to pay to Moneybarn were incorporated into his IVA and his Insolvency Practitioner has confirmed to me that they have no interest in the outcome of this complaint.

Moneybarn's records show that the car was returned as part of a VT on 20 April 2021. So, it's fair that Mr C pays for the use of it he had. We call this a 'fair usage cost'. Considering the car cost £5,995 and the interest charged was also £5,995 I don't think that the monthly repayments of £190.39 are a fair reflection of what fair usage cost would be. This is because a significant proportion – almost double the cost - of those repayments went towards repaying interest.

There isn't an exact formula for working out what a fair monthly repayment would be to reflect Mr C's usage. But in deciding what's fair and reasonable I've thought about the amount of interest charged on the agreement, Mr C's likely overall usage of the car and what his costs to stay mobile would likely have been if he didn't have this car. In doing so I think a fair amount Mr C should pay is £100 for each month he's had use of the car up to the point it is returned. That was 24 months. So that means Mr C will have owed Moneybarn £2,400. I set this out in my provisional decision.

What Moneybarn should do to put things right

Moneybarn has confirmed that as *'the agreement has already ended with nothing further to pay, we will:*

- *refund all the monthly payments received from the customer, retaining £100 per month for the time he had use of the vehicle (24 months);*
- *add 8% simple yearly interest* on the refunded amounts, calculated from the date the customer made the payments to the date of the refund; and*
- *remove all adverse entries relating to this agreement from Mr C's credit file.'*

*HM Revenue & Customs usually requires Moneybarn to take off tax from this interest. It must give Mr C a certificate showing how much tax it's taken off if he asks for one.

As this accords with my planned redress for Mr C then this is what I direct that Moneybarn carries out if Mr C accepts this final decision.

I have received notification that Mr C's Insolvency Practitioner for his completed IVA has no interest in the redress proceeds, but for the avoidance of doubt I recommend that Mr C or his representative contacts the IP to be clear on this.

I've considered whether the relationship between Mr C and Moneybarn might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I am planning to direct should be carried out for Mr C results in fair compensation for him in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold the complaint and I direct that Moneybarn No. 1 Limited trading as Moneybarn puts things right in the way that it has agreed and how I have outlined in the previous section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 August 2025.

Rachael Williams
Ombudsman