

Complaint

Miss T complains that Moneybarn No.1 Ltd (trading as “Moneybarn”) unfairly entered into a conditional-sale agreement with her. She’s said the agreement was unaffordable for her.

Background

In June 2020, Moneybarn provided Miss T with finance for a used car. The cash price of the vehicle was £7,195.00. Miss T paid a deposit of £695 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £6,500.00 she required to complete her purchase. The loan had interest, fees and total charges of £6,429.85 and the balance to be repaid of £12,429.85 was due to be repaid in 59 monthly instalments of £219.15.

Miss T’s complaint was considered by one of our investigators. She didn’t think that Moneybarn had done anything wrong or treated Miss T unfairly. So she didn’t recommend that Miss T’s complaint should be upheld.

Miss T disagreed with our investigator’s assessment and asked for her complaint to be passed to an ombudsman for a final decision.

My findings

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 T’s complaint.

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 Miss T could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Moneybarn carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 says it agreed to this application after it completed an income and expenditure assessment on Miss T. During this assessment, Miss T provided details of her monthly income which it cross checked against information from credit reference agencies on the

amount of funds that went into her main bank account each month. This is a form of cross-checking of income that a lender is entitled to take

Moneybarn says it also carried out credit searches on Miss T which showed that she had defaulted accounts recorded against her, with the most recent of these being around four and a half years prior to this application. Furthermore, she also had county court judgments recorded against her, with the most recent being obtained a year and a half prior to this application.

Nonetheless, in Moneybarn's view, when reasonable repayments to the amount Miss T already owed plus a reasonable amount for Miss T's living expenses were deducted from her monthly income, enough was left over for her to make the monthly payments for this agreement. On the other hand, Miss T says she was already struggling at the time and that these payments were unaffordable.

I've thought about what Miss T and Moneybarn have said.

The first thing for me to say is that bearing in mind the term of the agreement, its total cost and Miss T's previous difficulties with credit, I'm satisfied that Moneybarn needed to take further steps to ascertain Miss T's actual living costs, rather than relying on statistical data in order for its checks to have been proportionate here. Moneybarn did not do this, so I'm satisfied that its checks before lending in this instance weren't proportionate.

At this point, given I've agreed that the checks weren't proportionate, I think that it might be helpful for me to explain that my conclusion that the Moneybarn didn't do enough to establish whether the repayments were affordable, doesn't, on its own, mean that Miss T's complaint should be upheld.

This is because we would usually only go on to uphold a complaint in circumstances where we are able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

As I've explained, given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Miss T's regular living expenses as well as her income and existing credit commitments.

However, despite having been provided with significant opportunity to do, Miss T hasn't provided anything at all to show what her living expenses were at the time of her application. So I've not been provided with anything that clearly shows that the monthly payments to this agreement were as a matter of fact unaffordable for Miss T. In these circumstances, I'm simply not in a position to say that Moneybarn doing more here would more likely than not have led to it reaching a different decision to lend in this instance.

I note that Miss T has said that her complaint should be upheld because Moneybarn's determination of her expenditure showed that she would only have just under £100 left over once her existing committed expenditure was combined with the monthly payments for this agreement and then deducted from her income. I've thought about what Miss T has said.

In the first instance, I think that it's worth highlighting that Moneybarn's assessment is based on statistical data. And for the reasons I've explained, I don't think that it was reasonable for Moneybarn to rely on statistical data in this instance. Therefore, it is difficult to place much weight on an assessment which I consider to have been flawed.

In any event, I would also add that Moneybarn's expenditure assessment included allowances for the running costs of the car. As this the case, I don't think that the amount Moneybarn believed that Miss T would have left over, in itself means that the complaint should be upheld in the way that Miss T now argues.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Miss T might have been unfair to Miss T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Moneybarn irresponsibly lent to Miss T or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I think that Moneybarn ought to have found out a bit more about Miss T before entering into this conditional-sale agreement with her, I've not been provided with anything to substantiate that doing so would have led it to conclude that the monthly payments were unaffordable, or entering into this agreement with her.

So while I appreciate that this will be very disappointing for Miss T, I'm not upholding this complaint. I hope that Miss T will understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 31 December 2025.

Jeshen Narayanan
Ombudsman