

The complaint

Mr F says Moneybarn No. 1 Limited ('Moneybarn'), irresponsibly lent to him. He says that it didn't make proportionate checks to ensure he could afford the repayments towards a conditional sale agreement to purchase a car. He says that the agreement wasn't affordable for him.

Mr F's complaint has been brought by a representative and I've referred to Mr F and the representatives' comments as being from Mr F for ease of reading.

What happened

This complaint is about a conditional sale agreement that Mr F took out to purchase a car in June 2021. The vehicle had a retail price of £16,000. Mr F paid a £4,000 deposit meaning £12,000 was financed.

This agreement was to be repaid through 47 monthly instalments of £444.34. If Mr F made the repayments in line with the credit agreement, he would need to repay a total of £24,881.98. Based on the statement of account the agreement has now ended.

Mr F complained to Moneybarn saying that he thought it had failed to undertake reasonable affordability checks before lending and so it had provided credit irresponsibly.

Moneybarn considered this complaint, and it didn't uphold it. It said that the finance was assessed fairly, and the amount offered to Mr F was affordable. Mr F didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr F's complaint. She thought that Moneybarn didn't make reasonable and proportionate checks before approving the finance. But she thought that if it had made better checks then it would have found that the loan was still likely to be affordable for Mr F and would still have lent to him.

Mr F didn't agree with the Investigator. He provided some clarification about his income and outgoings which our Investigator considered. But she thought that if Moneybarn had made the right checks it still would have lent. There was some further correspondence, but no new issues were raised.

Because Mr F didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the credit in a sustainable way?
 - a. if so, did Moneybarn make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr F could sustainably repay the borrowing?
2. Did Moneybarn act unfairly or unreasonably in some other way?

And, if I determine that Moneybarn didn't act fairly and reasonably when considering Mr F's application, I'll also consider what I think is a fair way to put things right.

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Moneybarn has explained that it asked Mr F what his income was, and he said that it was around £2,000 a month. Moneybarn says that it also looked at some payslips and used the amount it saw there in its assessment, this was just under £1,900 a month.

Moneybarn also received some information from a credit reference agency. This information showed the amount of active credit accounts Mr F had, how he was using his credit facilities. It showed if he had any current, and past, credit problems.

It found out that Mr F had total active non-mortgage credit of £915, some of this, £622, was payday lending. He was paying £125 a month to this credit.

Mr F had some repayment problems in the past and he had defaulted on nine accounts. The original balance of the defaults was £3,200 and this had reduced to £2,400. It had been one month since the last default.

Moneybarn noted that his default balance had decreased by 25% and there was no recent new payday lending.

Moneybarn doesn't seem to have asked, or found out about, Mr F's actual living costs. It's said that it used Office of National Statistics ('ONS') data to estimate his living expenses. His living costs were £964.93, and it added in a buffer of £45.07, So his total expenditure was £1,135. Leaving a disposable income of £753.42 per month.

But this was a long-term lending agreement and Mr F would be repaying a reasonable amount each month for four years. And I think Moneybarn could've realised at that time that Mr F may have some financial problems given the recent default and the use of payday lending. It should've also become concerned about whether it knew enough about Mr F's true financial situation. And I think it would have been proportionate to have asked more questions about Mr F's expenditure rather than, in the main, relying on averages for this and the information contained in the credit report.

So, I'm not persuaded that the checks Moneybarn did were reasonable and proportionate. I think Moneybarn could have checked in more detail that this further lending wasn't likely to cause him a problem going forward.

Would reasonable and proportionate checks have shown that Mr F would be able to repay the credit in a sustainable way?

I've gone on to consider what Moneybarn would likely have found had reasonable and proportionate checks been carried out.

Mr F has provided an up-to-date copy of his credit report. This shows that he had some credit problems in the past and he had defaulted on some credit. He had also used payday loans. But these defaults do look to be some time ago, some as long ago as 2016. With the most recent one being in 2020. I can't see any defaults just before the finance was started, but I accept Moneybarn's records do show this.

And this report confirms that Mr F had credit when he applied for finance with Moneybarn. And some lending had been referred to debt collection agencies. Mr F had used payday loans in the past. The amounts involved, and the overall situation, wasn't materially different to what Moneybarn had found out from its own research.

And, I wouldn't have expected Moneybarn to decline this application just because of these issues alone. But I would expect Moneybarn to take these into consideration when making its lending decision and to have properly determined his income and expenditure.

Mr F has also provided copies of his bank statements for the few months just before the lending. While I wouldn't have expected Moneybarn to have asked Mr F for copies of these, I'm satisfied that these statements would give a good indication of what Moneybarn would likely have taken into consideration had it asked Mr F to verify, or provide more information about, his income and committed expenditure during that specific period.

These have been discussed in detail and it's clear Mr F's finances are complex. He received some money from his partner at times, and he also says that a relative used his account for gambling transactions as it would be problematic for this relative to have used his own accounts.

I'm not going to reproduce all of this as it's been outlined and discussed in detail during the complaint investigation. But, in summary, our Investigator thought the bank statements showed that Mr F's income was nearer £2,500 a month. He received funds from his partner for bills of about £1,250 a month, but a similar amount was paid to her each month for bills. So, these transfers negate each other. He spent a further £1,400 each month on general living expenses and credit which meant he would have £1,100 left over.

Mr F has said that his income wasn't as high as this and the amounts he received from his partner should not be considered as they were for bills. He has provided his own income and expenditure calculations.

He says that his earnings were around £2,000 a month. And his expenditure, including the costs of the car and the finance were £1,850. This may include another car finance repayment that was cancelled when Mr F started the new arrangement. But I think it's reasonable to say that both our Investigators' calculations and the information Mr F has provided, show that the arrangement was affordable for him. Mr F may not have had a lot left over as he says, but I think he had enough.

So, and while I appreciate this will come as a disappointment to Mr F, I'm satisfied that, had Moneybarn carried out reasonable and proportionate checks, I think that it's likely that it would have found the finance to be sustainably affordable.

Did Moneybarn act unfairly or unreasonably in some other way?

Mr F did have some problems repaying the lending over time. But as far as I can see Moneybarn assisted him with this where appropriate. He hasn't complained that he didn't receive assistance over time.

Part of Mr F's complaint is about the amount of interest that he paid on the loan. But the total interest he would repay, and the other aspects of the agreement, were clearly laid out in the documentation he was provided at the time of sale. And I don't think it was reasonable to say he was misled about this.

I've also considered whether Moneybarn acted unfairly or unreasonably in any other way, and I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr F or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

I haven't seen anything to make me think Moneybarn acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr F's complaint.

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

Andy Burlinson
Ombudsman