

## **The complaint**

Mr C complains through a third-party representative that Moneybarn No.1 Limited irresponsibly provided credit to him to acquire a car. Mr C says he couldn't afford the borrowing and shouldn't have been granted the credit.

## **What happened**

Mr C took out a car finance agreement with Moneybarn in September 2020. The cash price of the car was £18,000. Mr C made an advance payment of £3,500 and took credit of £14,500. The agreement was designed to run for 60 months with monthly repayments of £444.96 for 59 months, following the advance payment at the point of sale. Mr C would have been required to make a total payment of £29,752.64 over the 60-month term.

Mr C fell into financial difficulties when his income was impacted due to the loss of his job during the pandemic. Mr C's account fell into arrears and Moneybarn agreed a payment plan which Mr C was unable to maintain. As a result, the agreement was terminated, the car repossessed and sold. At the time this complaint was referred to the Financial Ombudsman Service, there was an outstanding balance on Mr C's account.

When Mr C complained to Moneybarn, it didn't uphold his complaint. It said it carried out sufficient checks before agreeing to lend and those checks showed Mr C could afford the monthly repayments. Unhappy with that response, Mr C referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator thought Moneybarn should have taken its checks further before lending. Our investigator thought further checks would likely have shown Mr C could afford the credit at the point of sale and so didn't recommend that the complaint be upheld.

Mr C's representative on his behalf disagreed, it said Mr C's outgoing outweighed his income which meant he was unable to maintain and afford his monthly repayments over the term of the agreement.

The complaint hasn't been resolved, and it has been passed to me, an ombudsman 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.

Moneybarn will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We've set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don't think it is necessary to set it all out in this decision.

In summary, Moneybarn needed to ensure that Mr C could afford to make his repayments on the agreement when they fell due, throughout the term of the agreement. The relevant rules

and regulations don't prescribe what checks need to be carried out, but the checks need to be reasonable – considering the specific circumstances of the consumer. Moneybarn needed to carry out reasonable and sufficient checks to satisfy itself Mr C could afford the repayments on his agreement in a way that wasn't detrimental to his financial position and was sustainable.

Moneybarn has provided evidence to show that before agreeing to lend, it asked Mr C about his income which he declared as £3,300. Moneybarn verified this declared income through credit reference agencies. Moneybarn used data from the Office of National Statistics (ONS) to estimate Mr C's living expenses which it says was around £1,270. Moneybarn also searched Mr C's credit file, and the result of that search showed Mr C had some four historic defaults, the most recent was 33 months before the agreement. The outstanding balance on Mr C's defaulted account was £31,200 which he appeared to be in a debt management plan to repay. The search also found Mr C was paying £84 towards his credit commitments.

I understand the most recent default was many months before this application was considered, so I can understand why Moneybarn thought its checks were sufficient, despite the large outstanding balance from these defaulted accounts. However, when you take into account the length of this agreement – five years and the monthly repayment of nearly £450, which I don't consider insignificant given Mr C's income, I think all these factors taken together should have prompted Moneybarn to carry out further checks. I think a clearer understanding of Mr C's financial position should have been sought. There is some indication from the checks that Mr C struggled with credit in the past and as Moneybarn was estimating his living costs, I'd have expected it to get a better understanding of his monthly expenses.

Mr C has provided copies of his bank statements from around the time the agreement started. I'm not saying Moneybarn had to request bank statements, but it needed to show that it took reasonable steps to carry out sufficient checks. In the absence of evidence of further checks from Moneybarn, I think it is reasonable to rely on the information on Mr C's bank statements.

The bank statements for three months before the agreement began shows that Mr C had a steady income of around £3,200 but in addition to this income, he was receiving regular payments from an account that appears to be in his name. These deposits were regular and not insignificant. For example, in June 2020 Mr C received credit of around £1,650, this was something that continued in the following months. Given the frequency and amounts of these transfers, I think it is reasonable to consider this as further income/money that was available to Mr C even if it was from his savings.

Mr C's average expenses including things like housing, council tax and credit commitments were roughly around £3,000, given Mr C had around £4,800 available to him monthly, he was able to afford the monthly payments of £444.96. I understand Mr C's circumstances changed during the pandemic, but this was not something Moneybarn would have found through reasonable checks at the time it agreed to lend.

I appreciate my findings will likely disappoint Mr C but based on all the information I've seen, Moneybarn should have done further checks but those checks would likely have shown Mr C could afford the repayments on the agreement, so Moneybarn hasn't lent unfairly.

As there remains an outstanding balance on the agreement, I'd remind Moneybarn to treat Mr C positively where he is struggling to meet his repayments.

*Did Moneybarn act unfairly or unreasonably in some other way?*

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way, however, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr C or otherwise treated him unfairly in relation to this matter. I also haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

For the reasons given above, I do not uphold this complaint or make any awards against Moneybarn No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 June 2025.

Oyetola Oduola  
**Ombudsman**