

## **The complaint**

Mr F complains that Moneybarn No. 1 Limited ('Moneybarn'), irresponsibly lent to him. He says it didn't take reasonable steps to ensure he could afford the repayments towards a conditional sale agreement to purchase a car. He says the loan wasn't affordable for him and the interest amount on it was too high.

## **What happened**

This complaint is about a conditional sale agreement that Mr F took out to purchase a car in May 2022. The vehicle had a retail price of £10,980. Mr F paid a £2,254.81 deposit meaning £8,725.19 was financed. This agreement was to be repaid through 59 monthly instalments of £342.71. If Mr F made repayments in line with the credit agreement, he would need to repay a total of £22,474. Mr F repaid the finance in 2024 after selling the vehicle. He says he did this as he couldn't afford the repayments.

Mr F complained to Moneybarn saying that he had been overcharged for the finance. This is because the interest on the account was too high. He also said that he couldn't afford the repayments.

Moneybarn considered this complaint, and it didn't uphold it. It said the agreement showed Mr F the amount of interest he would pay and the size of the repayments. It provided full information to him about the finance, and it said it performed several checks before it lent to ensure Mr F could repay it.

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. He thought that whilst Moneybarn didn't make proportionate checks, if it had made better checks then it would still have seen that the loan was affordable. And so, it didn't lend irresponsibly.

Mr F didn't agree with the Investigator. He said that:

- He didn't think the income and expenditure information our Investigator had relied on was accurate. He thought he was consistently spending more than his income.
- He had some health problems, and these were causing him to incur costs.
- The payments from a family member were not help, but loans that were repaid later.
- He thought the dealership may have provided Moneybarn with incorrect information.
- He was unemployed at the time and in poor health, he was shocked that he was approved for borrowing.

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 the application information shows that it was informed that Mr F was employed full time as a care assistant. He earned £2,500 a month. Moneybarn says that it verified that his income was correct using some information from a credit reference agency.

It checked Mr F's credit file, and it has provided a summary of the information that it was able to see on this. This showed that Mr F didn't have any active credit balances, but he did have default balances on five accounts. The most recent of these was defaulted eight months before the loan application. The balances on the defaults were £7,300 and Mr F was paying £136 a month to this.

Moneybarn then used Office of National Statistics data to estimate Mr F's living expenses. Moneybarn estimated that his housing costs were around £790 per month and his other living costs were around £531 month. This was for things like council tax, utilities and vehicle costs.

Moneybarn estimated Mr F would spend a further £317 on other living costs and added £373 to his estimated expenditures for any unforeseen amounts he needed to spend in the month. Moneybarn thought all of this showed that Mr F could afford the loan repayments.

But this was a long-term lending agreement and Mr F would be repaying a reasonable amount each month for about five years. So even if I accept that Moneybarn likely determined what Mr F's income was, I think it should also have considered what his expenditure was to ensure he could sustainably repay the loan. It doesn't seem to have done this at all, other than looking at what was on his credit file. And I think Moneybarn could've put more weight on the fact that Mr F had some financial problems in the recent past.

So, I think it would have been important for Moneybarn to ensure that he could afford the repayments to the new loan. 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 statistical 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 report confirms that Mr F didn't have any active credit, but he had defaulted on some credit in the recent past, as Moneybarn were aware.

Whilst it's clear Mr F had some historic defaults, I wouldn't have expected Moneybarn to have declined this application just because he had these problems. Moneybarn is a lender that does lend to consumers with impaired credit, and so I don't think these past defaults would have been a barrier to it lending in this case. But I would expect Moneybarn to take these into consideration when making their lending decision.

Mr F has also provided copies of some of his bank statements for the months running up to the start of 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.

The information Mr F provided wasn't complete, but I think it does give some further insight into Mr F's situation. Our Investigator calculated Mr F's income and expenditure from the bank statements, and I broadly agree that the Investigator's calculations look reasonable.

This shows that Mr F had an average monthly income of £2,600 and expenditure of £1,850. This means, on average, Mr F would have had £750 a month disposable income which would mean he would be able to afford the new loan repayments. I think that Moneybarn would have found out similar information if it had made better checks and still concluded that it was right to lend.

Mr F has said that he wasn't employed at the time and his income exceeded his outgoings due to some health problems he had. It does seem clear that he may not have been working and the income above was from benefits.

Whilst I have taken this on board, the information he has provided doesn't show any signs of current financial distress. He wasn't overdrawn or missing any payments to his regular commitments, and I've talked about his credit history above. And I think this is what Moneybarn would have seen if it had looked more closely at Mr F's circumstances.

Mr F does seem to have a complicated relationship with his family, and he's talked about sharing meals, and the costs of these, and so on. And there are transfers in and out to various family members, some of which Mr F said were loans. Again, whilst I've noted what he said I still think the lack of evidence of financial distress or problems in his finances is what Moneybarn would have seen if it had made better checks.

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 he would have found the finance to be sustainably affordable.

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

Mr F said the interest rate on the lending was too high. The credit agreement shows that the APR is 48.9%. Whilst this is high, it is within the amounts allowed by the regulator at the time. And all of this was clearly explained in the agreement. I'm not upholding Mr F's complaint on this basis.

Mr F has said that he was in financial difficulty for much of the time of the agreement. And he did miss a payment in May 2023. He contacted Moneybarn at this time to say the payments may not be affordable, but after receiving some further information he resumed payments, and the account didn't fall into arrears. And it seems that Mr F did sell the vehicle without informing Moneybarn but, after some contact, he settled the agreement shortly after this. I haven't seen any persuasive evidence that Moneybarn's customer service was poor, and Mr F seemed to get the assistance he required when he asked for it.

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 15 July 2025.

Andy Burlinson  
**Ombudsman**