

The complaint

Miss B, through her representative, complained to Moneybarn No. 1 Limited (Moneybarn) that it had lent to her irresponsibly by approving a finance agreement with which to purchase a car when she was unable to afford.

What happened

In February 2019, Miss B bought a car using finance supplied by Moneybarn. It was a conditional sale agreement. The credit figure used to buy the car was £4,290 and no deposit was paid. The 36 payments due were to be of £189.63 each month. The total amount to repay was £6,637.05. Miss B paid it off in May 2022 and retained possession of the car.

Miss B's complaint dated October 2024 was responded to by Moneybarn and it gave reasons why it was not upholding her complaint about the irresponsible lending. The linked complaint relating to car commission has to be dealt with at a later time. This decision will only deal with the irresponsible lending complaint.

Miss B referred her complaint to the Financial Ombudsman Service and one of our investigators looked at all the information and decided that we did not need to ask Moneybarn to refund any monies. Miss B disagreed and the unresolved complaint was passed to me 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.

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 B'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 Miss B 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 – suggested the lender needed to know more about a prospective borrower's ability to repay.

Moneybarn had been informed that Miss B was living at home with her parents when she applied for the loan and she was working full time. Moneybarn cross checked Miss B's income as £1,600 each month after tax by using a credit reference agency tool. And it obtained a credit report. It gathered that Miss B's existing monthly credit commitment costs were £430.

Moneybarn has provided a copy of its Income and Expenditure (I&E) figures used for Miss B. It calculated that her total monthly expenditure - excluding her credit commitment costs and

excluding the 'buffer' or margin it adds into the I&E - was just under £427. These figures for housing, council tax, utilities, vehicle costs, and basic living costs were gathered by using Office for National Statistics (ONS) data. The 'buffer' figure it used was around £53.

Moneybarn's figures were that on an income of £1,600 her monthly disposable income was just under £690. So, the car finance costs looked affordable.

In relation to my view on Moneybarn's use of ONS data, I consider it was reasonable given Miss B had told it that she lived at home with her parents and therefore in February 2019 would not have been paying the usual household outgoings - rent, bills, council tax, insurance. Moneybarn's use of £427 ONS cost would effectively have inserted a further 'buffer' into its figures. And I say this because Miss B was not actually paying £427 a month towards these costs, but Moneybarn had factored this in anyway. So, by calculating these potential housing/council tax/bill costs, Moneybarn has shown that it was being cautious in its I&E calculations. And so, I don't think it did anything wrong in the way it approached its I&E assessment.

Miss B's credit history

Moneybarn has not supplied to us the full credit search results it did in 2019 but has provided information of its records about that. So it was a summary of what it had found out. Those were that she had £3,861 total debt which was not a high figure in my view and I think that Moneybarn would have considered the same.

It has said that there were no records of insolvency, no County Court Judgments, one defaulted account five months before the Moneybarn application which was for £1,300. There was a record of one cash advance in the previous three months. On its own I doubt that Moneybarn would have considered that cash advance a poor element – sometimes multiple cash advances taken on credit cards can be an indication of cash flow issues. But my view is that one withdrawal would not.

I've tried to find out more information about that defaulted account.

Miss B has said it was a current account that defaulted. Miss B has provided her own personal credit report. In the absence of the credit search information Moneybarn was able to provide, I have reviewed Miss B's personal report. But I do so knowing that what businesses obtain having done a credit search may not necessarily be the same as that which individuals obtain on their own searches. Plus, this personal report is dated 1 September 2024 and so it covers some (but not all) of 2018 which was when the default apparently occurred.

Obviously, accounts commenced after 7 February 2019 – which is when Miss B took the Moneybarn agreement - would not have shown up on the Moneybarn credit search and so I have discounted them. Having reviewed Miss B's personal credit file then I cannot see reference to any £1,300 defaulted account five months before the Moneybarn agreement which is what it said it had a record of. And as defaulted accounts usually remain on a record for six years I am surprised at that. I do see that Miss B had three current accounts open and with good repayment histories.

In any event, I have formulated the view that this £1,300 defaulted debt was not a high one and although it was apparently five months before the agreement, it was not so close that I think it would have prompted Moneybarn to consider it had to refuse the car finance agreement. Further, Miss B had enough disposable income to be able to have paid that defaulted account down over a few months as well as afford the Moneybarn repayments.

Miss B has said to us that – *"If the proper checks were made they would have seen that I was addicted to trading with Forex. I didn't have an overdraft but would go over and got charges. Prior to the loan with Money Barn [sic] I was also approved a loan with [other lender] which was also used for consolidation"*

Dealing with Miss B's explanation about being addicted to a certain kind of transaction, there were occasional payments to a trading platform. And I have read the account notes and there's no indication that Moneybarn was ever informed of any addiction or compulsive spending.

Then in relation to the 'other lender' to which Miss B has referred (and has identified), it was recorded on her own personal credit report and I have seen that it was a loan taken in 2018 and paid off in January or February 2019 which was just before the Moneybarn agreement. There were no recorded issues repaying that loan. I have no reason to think that Moneybarn would have read this loan repayment record as being anything other than positive. And so, I do not agree that the taking of a loan several months before the Moneybarn agreement had much significance.

It appears Miss B took a fresh loan with that same 'other lender' in or around February 2019 and that would not likely have been a loan agreement that would have registered on any credit search Moneybarn carried out in February 2019, as new accounts often take up to eight weeks to register with Credit Reference Agencies. It was open to Miss B to inform Moneybarn of that new application. But I've no record in the Moneybarn account notes or application data that she did that.

Overall, my view is that Moneybarn did what it needed to do and did not need to do additional checks – for example – review Miss B's bank account statements before agreeing to finance the car purchase on 7 February 2019.

I know that our investigator did have a look to see what Moneybarn would have seen if it had reviewed Miss B's bank statements. Our investigator's view was that those would not have made a difference. Especially if it had also factored into the equation the fact she was not exposed to the risks of priority bill arrears or rent arrears leading to the risk of being evicted from her home, as she was in the position of living at home with parents. Even if I had been persuaded that more checks were needed, still I consider that Moneybarn would have approved the finance for Miss B.

I do not uphold the complaint.

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 s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss B or otherwise treated her 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.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 18 August 2025.

Rachael Williams
Ombudsman