

The complaint

Mr J complains that Moneybarn No.1 Limited trading as Moneybarn (“Moneybarn”) lent to him without carrying out sufficient checks into his financial circumstances.

What happened

In October 2019, Moneybarn provided Mr J with a conditional sale agreement for a used car. The vehicle had a cash price of £5,490 and Mr J paid a £400 deposit, so £5,090 was financed. If Mr J made the payments in line with the agreement, he would’ve been required to pay £6,012.03 worth of interest fees and charges with a total to repay of £11,502.03. The agreement was to be repaid by 59 monthly repayments of £188.17. Moneybarn’s statement of account shows that as of November 2024, Mr J still owed just over £600 so it’s possible, the agreement has now been settled.

Following the complaint, Moneybarn issued its final response letter, and it didn’t uphold it the complaint. Mr J then referred the complaint to the Financial Ombudsman where it was considered by an investigator.

The investigator concluded it wasn’t fair and reasonable for Moneybarn to have relied on statistical data when trying to work out Mr J’s monthly outgoings. However, had Moneybarn taken a closer look at Mr J’s outgoings it still would’ve lent to him.

Mr J disagreed, across a number of emails, and I’ve summarised his responses below.

- Mr J had a County Court Judgement (CCJ) on his credit file at the time, as well as other missed payments and defaults.
- Mr J says he received a default notice, and yet Moneybarn allowed him to carry on with the agreement even though he didn’t pay the amount to prevent the default from being applied.
- Mr J’s bank statements show he was paying his uncle for a phone bill that he had taken out for Mr J. He was also transferring money to repay his debts, gambling and that he had taken other loans to cover his living costs.
- Mr J then provided an overview of his income and expenditure for July and August 2019 – which he says shows the finance to be unaffordable.

These comments didn’t change the investigator’s mind and as no agreement has been reached, the complaint has been passed to an ombudsman for a 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.

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 J’s complaint. Having carefully thought about everything I’ve been provided with, I’m not upholding Mr J’s complaint. I’d like to explain why in a little more detail.

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 any lending was sustainable for Mr J 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, as part of the application process, took details of Mr J's monthly income which he declared was £1,500. Moneybarn cross referenced this with a tool provided by a credit reference agency and it says the results indicated that what Mr J had declared was likely to be accurate. It was therefore reasonable of Moneybarn to have relied on the income figure declared by Mr J for its affordability assessment.

Moneybarn then went about working out what Mr J's likely monthly living costs were – and for this it used figures derived from the Office of National Statistics, it then added a buffer of £192.40 and it also knew – based on the credit search results that Mr J's likely other external credit commitments were. Overall, Moneybarn worked out that Mr J's likely monthly outgoings came to around £720 per month. This left sufficient disposable income to afford the loan payments.

Moneybarn has also said it carried out a credit search and I've reviewed the summary it has provided to see whether it gave any indication that the finance would be either unaffordable or unsustainable for Mr J.

The information does show that Mr J had experienced financial difficulties. It knew that 22 months before the agreement started Mr J had a CCJ judgment against him – which was still active. It was also told about four defaults that had been reported – totalling £3,400 – but the most recent one had been recorded 33 months before the start of the agreement.

It also knew, based on the credit search results that Mr J didn't have any outstanding payday or home credit loans and Moneybarn was also told that Mr J hadn't used payday loans within the preceding six months or three months for home credit loans.

It didn't look, from the credit search results, that Mr J was having problems maintaining his active payments. But it does seem that in the years before the agreement started, he had encountered problems keeping on top of his payments.

At the point the loan was approved, Moneybarn was fully aware of Mr J's income as it verified it, although it didn't as far as I can see have an accurate reflection or idea of his non-discretionary monthly living costs. I appreciate, Moneybarn has used statistical data to try and work out what these costs may have been, but like the investigator I do think further checks were needed given the impaired credit history, the term of the loan and the monthly cost.

Moneybarn could've gone about doing this a number of ways. It could've simply asked him what his living costs were, asked for evidence from Mr J about his bills, requested any other

documentation it felt was needed or as I've done, it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Mr J's regular living costs are likely to have been like at the time. – I've not done this because I think Moneybarn ought to have requested this information as part of underwriting this loan. After all Moneybarn already had a reasonable idea of Mr J's income and his credit commitments.

I accept had Moneybarn conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Moneybarn conducting a proportionate check I do think it's fair and reasonable to consider the bank statements that I now have access to. And having looked at the statements I've come to the same conclusions as the investigator for broadly the same reasons.

I also want to be clear, that I've not used the bank statements to carry out a line-by-line review of Mr J's circumstances as that would've been disproportionate. Instead, I've used these to assist me to get an idea of what his regularly living costs were.

As I've said, Moneybarn had a good idea of Mr J's regular monthly income as well as his existing credit commitments. So, I've used the statements to see what other costs Mr J may have had. I can see payments for car tax, TV subscription services, petrol and what I believe is car insurance. I can also see regular payments to a number of different supermarkets and convenience stores. Mr J has also told us he had rent – that was about £400 per month – and this was broadly in line with the figure used by Moneybarn as part of its affordability assessment.

In addition, Mr J has said that he was paying his uncle for a phone he was using but was in his uncle's name. I don't think – had Moneybarn taken a closer look at Mr J's regularly living costs that that this would've become apparent. I say this bearing in mind this account wouldn't have appeared in Mr J's credit search results. But even if I am wrong, and this would've been apparent to Moneybarn, the finance would've still appeared affordable.

There also isn't anything from the bank statements to suggest that Mr J was having or likely having financial difficulties at the time, such as returned direct debits – or other information that Moneybarn may have seen that would've suggested he was struggling.

And while I can see at times Mr J is withdrawing around a third of his income from cash machines, again, I don't think Moneybarn would've automatically concluded that this money was to repay other debts Mr J had – rather than it was being used for discretionary spending.

Finally, Mr J, was at times using online gaming sites, but I don't think that would've been apparent to Moneybarn had it made further enquires with Mr J about his non-discretionary expenditure.

While I can see that Mr J has had difficulties maintaining his payments towards his agreement, I can't say – for the reasons which I've set out above that Moneybarn would've known this at the time the agreement was entered into based on a proportionate check.

So, taking into account what I've seen in the statements I've concluded that had Moneybarn conducted further checks into Mr J's non-discretionary living costs it still would've concluded the lending was affordable for Mr J and so I am not upholding the complaint.

Other considerations

I've also considered whether Moneybarn has treated Mr J unfairly in any other way. I can see from the statement of account and the system notes that Mr J had some problems in the middle of 2020. However, these difficulties were caused by the pandemic and Moneybarn acted appropriately and provided help as outlined by the regulator.

In 2021, Mr J's account went into arrears – but this was explained by him starting a new job and having a new pay date – in order to assist Mr J Moneybarn moved the collection date – which was a reasonable course of action. During 2022, Mr J failed on a payment due to starting a new job – again in my view Moneybarn provided appropriate support.

At the end of 2022, and into 2023, I can see repayment plans were created – to clear the arrears that had built up on the account. Which is why Mr J's payments increased to over £220 per month. And in 2023, the further plan was created because Mr J had told Moneybarn he had moved and had additional costs. It looks to me as appropriate support was offered.

Mr J has also queried the default notice and what happened. I can see that following an indemnity – which refunded the July 2024 payment it had put the account three months in arrears. Which is the minimum amount needed for a lender to potentially issue a default notice – which Moneybarn did do on 25 July 2024.

The default outlined what Mr J needed to do before 14 August 2024, and if he didn't undertake those actions than the account would default – and he'd need to return the car. However, I can see from the contact notes that Mr J agreed a repayment plan with Moneybarn before the deadline set in the default notice.

In addition, by Mr J making the larger payment of £450 on 9 August 2024, it meant the account was no longer in arrears by three months and so, would've contributed to Moneybarn's decision not to terminate the agreement.

By making the large payment and agreeing an acceptable repayment plan this prevented the account from defaulting. This is in line with guidance that can be found in principle 4 of the Information Commissioner's Office report entitled "*Principles for Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*".

Having reviewed what has happened, I don't think Moneybarn made an error when it didn't default the account after sending Mr J the required notice. An outstanding balance remains due and I would remind Moneybarn of its obligation to treat Mr J fairly and with forbearance.

I've also 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 Moneybarn lent irresponsibly to Mr J 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.

My final decision

For the reasons I've outlined above, I am not upholding Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 22 May 2025.

Robert Walker
Ombudsman

