

The complaint

Mr B complains about Moneybarn No.1 Limited's decision to lend him. He says the loan was unaffordable.

A representative has brought the complaint to our service. But for clarity, I've only referred to Mr B throughout this decision.

What happened

In August 2020 Moneybarn No.1 Limited (Moneybarn) provided Mr B with finance to purchase a used car. The car cost £5,985 and Mr B entered into a conditional sale agreement to finance the full amount. After interest and charges the total amount due was £11,212.15, repayable in 53 monthly instalments of £211.55.

In August 2024 Mr B complained to Moneybarn saying that they didn't undertake appropriate affordability checks – and had they done so, Moneybarn would have realised the agreement was unaffordable. Moneybarn didn't agree with Mr B's complaint. In their view, they carried out reasonable checks which showed that the payments for this agreement were affordable for Mr B, and they lent on that basis. Mr B remained dissatisfied with Moneybarn's response and referred the complaint to our service, where it was considered by one of our investigators.

Our investigator didn't think Moneybarn's checks had been proportionate. But he only received statements for one of Mr B's accounts, so he had limited information about Mr B's circumstances. But based on what he'd seen the investigator thought Moneybarn had reached a fair lending decision. And so he didn't think the complaint should be upheld.

Mr B didn't agree with our investigator's view. He said his average monthly committed expenditure was more than his average monthly income. He said this left him without disposable income in case of an emergency after taking into consideration the contractual monthly repayment. Mr B asked for an ombudsman's decision – and the complaint has come to me.

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.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation. CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

When determining what's proportionate, we'd expect lenders to think about the nature of the credit (the amount repayable and the term, for example) and about the applicant's individual circumstances. I'd expect a lender to find out more about a prospective borrower's ability to repay if for example, a borrower's income was low, the amount lent was high, or the borrower's credit file reveals an impaired credit history.

Were Moneybarn's checks proportionate?

I've thought about the checks Moneybarn carried out. Moneybarn said they independently verified Mr B's declared income of £1,500 per month and were able to confirm it. But Moneybarn haven't explained how they verified the income or provided evidence of this check. So, I can't say with certainty if Moneybarn's income check was reasonable.

Moneybarn also checked Mr B's credit report. While they didn't keep a copy of the credit search, they kept notes, which they sent us. These notes show that Moneybarn didn't see any county court judgments or recent missed payments recorded on Mr B's credit file. But they noted five defaults, with the most recent being 18 months prior to the lending. The total default balances had reduced from £2,800 to £1,500, indicating that Mr B was actively making repayments towards the outstanding balances.

Mr B also submitted copies of his credit file from two providers. I can't see all the defaults Moneybarn noted, which isn't unusual given the time that's passed since Moneybarn's check and Mr B obtaining his credit reports in support of this complaint. I think it's likely the defaults have since been removed from Mr B's credit file. But I note one default remains, and this was registered in June 2019 – so 14 months prior to the lending, rather than 18 months as recorded by Moneybarn. I can also see one missed payment to a telecommunication provider in May 2020, three months before Mr B applied for finance from Moneybarn.

At the time of his application, Mr B had no credit cards or payday lending, but Moneybarn noted non-revolving credit with a balance of £942. Moneybarn's notes don't give any details about the agreement. But looking at the credit file Mr B provided I can see a credit agreement from July 2019 with monthly payments of £126.

Moneybarn used data from the Office for National Statistics (ONS) to calculate Mr B's likely outgoings. They calculated that Mr B's monthly expenditure was around £1,192, including credit commitments. This would have left Mr B with monthly disposable income of £308 to cover the monthly repayments.

As set out above, I've not seen evidence of Moneybarn's income verification check. This combined with the adverse information Moneybarn saw on Mr B's credit file, the level of credit advanced to him, as well as the length of the agreement should have prompted Moneybarn to do more to understand Mr B's expenditure rather than relying on estimates. For that reason, I'm satisfied Moneybarn didn't carry out reasonable and proportionate affordability checks before lending.

What would proportionate checks have shown?

I've considered what Moneybarn would likely have found out if they had completed reasonable and proportionate affordability checks. There are different ways a lender can go about checking a prospective borrower's income and non-discretionary expenditure. I can't be sure what Moneybarn would have done had they decided to conduct further checks, or what Mr B would have told them. In the absence of anything else, I usually look at bank statements for the three months leading up to the finance application as an indication of what would most likely have been disclosed.

Here, the application was submitted on 28 August 2020, so I've looked at the period covering June, July and August 2020 to see what Moneybarn would likely have found had they carried out more thorough checks. Mr B provided statements for one of his current accounts. Our investigator asked for further statements for Mr B's other accounts, but they haven't been provided.

On review of the statements Mr B provided, I can see his income from employment averaged £1,268 between June 2020 and August 2020. He also received an average of £1,161 per month in benefits during that time. Overall, I'm satisfied that proportionate checks would have shown Mr B's income averaged around £2,429 per month.

Mr B sent us an analysis of his bank statements which in his view shows that he couldn't afford the agreement. He said he paid £1,200 each month in rent, around £385 for groceries, around £1,100 for loan repayments, and around £396 for utilities and his mobile phone. I couldn't reconcile Mr B's figures with the information contained in the statements he provided or his credit reports. As set out above, Mr B had one active credit agreement with repayments of £126 per month. I can see from the statements Mr B provided that he paid around £110 a month towards his defaults. So, his total credit commitments appeared to be around £236, not £1,100 as Mr B says.

Mr B has also not provided evidence of his rent payments. Our investigator asked Mr B to provide statements for the additional bank account. But this wasn't provided. Because the evidence requested wasn't provided, I don't know what Moneybarn would've seen if they had carried out proportionate checks. This means that I can't safely conclude that Moneybarn would've discovered that the agreement was unaffordable for Mr B. For this reason, I can't say that Moneybarn made an unfair lending decision.

Did Moneybarn act unfairly in any other way?

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether their relationship with Mr B might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr B 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 these reasons, my decision is that I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 October 2025.

Anja Gill
Ombudsman