

The complaint

Mrs W complains through a representative that Moneybarn No.1 Limited trading as Moneybarn ("Moneybarn") gave her a loan without carrying out the correct checks. Had it made better checks it would've seen the agreement wasn't affordable.

What happened

In August 2018, Moneybarn provided Mrs W with a conditional sale agreement through a credit intermediary for a used car. The car had a cash price of £8,490 and an advance cash payment of £4,490 was paid – meaning £4,000 was finance. Mrs W had a total to repay – including the advanced payment - of £12,258.95. This sum was due to be repaid in 35 monthly instalments of £221.97. Mrs W had some problems repaying the agreement, but the agreement was settled in August 2020.

Following Mrs W's complaint, Moneybarn issued a final response letter in January 2024, where it explained it wouldn't be upholding the complaint because it had carried out proportionate checks. Mrs W's representative then referred the complaint to the Financial Ombudsman.

Mrs W's complaint was then considered by an investigator who in the latest assessment didn't uphold the complaint even though they thought Moneybarn needed to have done more before lending to Mrs W.

Mrs W's representative disagreed with the outcome, saying the investigator had incorrectly included the salary of her ex-partner because he was using Mrs W's account to receive his salary and Mrs W was still paying the majority of the living costs herself.

There was then further correspondence about the ex-partner and his employer but overall the investigator wasn't persuaded to change her mind. As no agreement could be reached, the complaint has been 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 Mrs W's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Mrs W'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 Mrs W 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 Mrs W's income and she declared she received just under £1,100 per month from full time work. Moneybarn as part of the affordability check obtained copies of Mrs W's payslip – which showed an average income of £1,185. I'm therefore satisfied Moneybarn took steps to check Mrs W's income and it was reasonable of it to have relied on the figure for its affordability assessment.

Moneybarn also carried out a credit search and it's provided a summary of the data. So, I've taken a look at it to see whether there was anything which may have led it to either declining the application or to have prompted it to undertake further checks.

Moneybarn was told Mrs W didn't have any County Court Judgements, defaults or missed payments. In terms of active accounts, it only knew Mrs W had a balance of £415 due to non-revolving credit. There wasn't as far as I can see any indication within the credit check results that would've led Moneybarn to conclude Mrs W was having or likely having financial difficulties.

It doesn't look like Moneybarn took any steps to work out what Mrs W's likely monthly living costs were. Or if Moneybarn did take some steps, it hasn't been able to provide the results of those checks or what for example the statistical data showed it at the time. So, while Moneybarn's submissions shows Mrs W had monthly disposable income of £296.41 – I can't be sure how that figure was arrived at.

Moneybarn didn't, as far as I can see, have an accurate idea of Mrs W actual monthly living costs. I appreciate, the loan may have appeared affordable to Moneybarn but I don't think that conclusion could be fairly reached when it seems no consideration of her non-discretionary living costs were considered. Like the investigator, I do think that before the loan was approved, Moneybarn needed to, at the very least, understand what Mrs W's actual monthly outgoings were.

Moneybarn could've gone about making further enquiries about Mrs W's financial situation a number of ways, it could've simply asked her what her actual living costs were, asked for evidence from Mrs W about her bills or as I've done, it could've reviewed copy bank statements.

I accept that 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.

But to be clear, I've only used the bank statements to get an idea of what Mrs W's actual living costs were likely to have been at the time. I've not done this because I think that Moneybarn ought to have requested this information as part of underwriting this loan because, there were other ways that Moneybarn could've gone about checking Mrs W's day to day living costs.

Having reviewed the bank statements, I can see a number of regular payments including for rent, utilities TV licence and insurances and loans. There are also payments for food and

petrol. Like the investigator, it does seem that the total cost of the living costs exceeded Mrs W's income. Which would potentially show the loan payments were unaffordable.

Had Moneybarn likely realised that perhaps Mrs W was spending more than her income each month it would've, likely led to a further conversation about the additional income that was being received into the account. This is the crux of the matter and what Mrs W's representative pointed out after the investigator's assessments. In summary it says the income belonged to Mrs W's now ex-partner and Mrs W was paying the majority of the living costs herself.

However, as I've said Moneybarn took copy payslips from Mrs W so it had a fairly good idea of what her actual monthly income was. And I also want to be clear that I accept the other income belonged to Mrs W's ex-partner – rather than being an additional income for Mrs W.

I've thought about this, and I can see Mrs W's ex-partner's income is received into her account ending 126. But once this income is received, not all of it is moved out of the account, but it looks to me that some of it remains in the account that it is received into and is then used towards the living costs. For example, on 25 May 2018 - £800 is received but only £300 is moved to account ending 170. Account 170 is the account Mrs W says her ex-partner was using even though the statement is in her name.

And it also looks like Mrs W was transferring money back into account 126 from 170. So, I do agree with the investigator's conclusions - that some of Mrs W's ex-partner's income was going towards paying for the living costs that I can see in the statements – and its likely Moneybarn would've known this had it carried out a proportionate check.

It therefore does seem that Mrs W's ex-partner was making some contribution to the household living costs. So, taking account of all the known monthly costs had Moneybarn taken a closer look at Mrs W's finances then it would've likely discovered and concluded the finance payments were affordable.

Finally, I can see that at times Mrs W had some problems repaying her finance agreement, but the notes supplied by Moneybarn showed that it acted appropriate such as agreeing a repayment plan. I also think Moneybarn acted appropriately when Mrs W's household income was impacted by the COVID-19 pandemic. So, I don't think Moneybarn treated Mrs W unfairly with regards to this.

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 Mrs W 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

For the reasons I've explained above, I'm not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 19 June 2025.

Robert Walker
Ombudsman