

## **The complaint**

Mr W says Moneybarn No. 1 Limited, trading as Moneybarn ('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 he entered into to purchase a car.

Mr W's complaint has been brought by a representative and I've referred to Mr W and the representatives' comments as being from Mr W for ease of reading.

## **What happened**

This complaint is about a conditional sale agreement that Mr W took out to purchase a car in July 2019. The vehicle had a retail price of £14,990 and Mr W financed all of this. This agreement was to be repaid through 60 monthly instalments of £476.06. If Mr W made repayments in line with the credit agreement, he would need to repay a total of £28,087.54. I understand Mr W no longer has the car and a modest amount remains on the finance.

Mr W complained to Moneybarn saying that he felt the loan wasn't affordable at the time of sale. And the finance had caused him some financial distress.

Moneybarn considered this complaint, and it didn't uphold it. It said it thought it'd done adequate checks, which showed Mr W could afford the lending. Mr W didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr W's complaint. He thought that the checks Moneybarn had done didn't go far enough. In particular, he felt that it should have looked in more detail at Mr W's expenditure. But he didn't have enough information to say that further checks would have shown that the finance was unaffordable.

Mr W didn't agree with the Investigator and asked for the complaint to be reviewed. He provided some further information about his income and expenditure which he said showed some of his income was due to a hobby and so shouldn't have been included for in the credit assessment. And he said that another car finance repayment, and his rent, plus the new finance repayment would leave him with too little left over.

Our Investigator considered this further information and didn't agree that the money Mr W said was from a hobby shouldn't be disregarded as it was a significant monthly amount. And so, he still thought the finance would be affordable for Mr W. There was some further correspondence, but no new issues were raised.

Because Mr W 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 W 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 W 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 W'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 W 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 it asked Mr W what his income was, and he informed it that it was around £2,000 a month. Moneybarn said that it checked that Mr W was employed and verified his income using a tool that a credit reference agency supplied.

Moneybarn also checked Mr W's credit file, and it found that Mr W had some problems repaying his finance in the past. It says that these were:

- He had defaulted on some previous borrowing, the most recent default was 40 months prior to this credit application.
- He was making contributions to, and paying back, the sums he owed to this credit.
- There were three County Court Judgments, with the most recent being applied 61 months before this lending.

The credit reference agency data showed he had other credit of approximately £23,300, around £2,500 of this was revolving credit. He was paying £109 a month to this.

Moneybarn then went on to use statistical information to estimate the remainder of his expenditures. Using this it said that his total monthly expenditure was likely to be around £1,200 a month. Which would leave just over £800 a month as disposable income. It concluded from this that Mr W could afford the finance repayments.

But Mr W was borrowing a significant amount, and he was committing to make payments over five years. And he did have a significant amount of other credit, he'd had problems repaying this in the 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 W's expenditure rather than, in the main, relying on statistical data and averages for this and the information contained in the credit report.

Moneybarn seems to have relied on the fact that Mr W was employed, with a reasonable income, and that he wasn't making large payments to his existing credit to say that the loan repayments were likely to be affordable. But I don't think this was enough to have assumed

that Mr W could afford these loan repayments, particularly as they had to be repaid for 60 months. I think Moneybarn should have done more here. It should have, for example, looked into what his expenditure was in more detail.

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 W 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 W has provided an up-to-date copy of his credit report. As this also shows historic data, I'm satisfied this will give a good indication of what Moneybarn would've seen on the credit file it obtained when it considered his finance application.

Based on this report, while it's clear that Mr W had credit when he applied for finance with Moneybarn, he was maintaining all the payments to this and there were no indications of any financial difficulties. Mr W had some historic arrears and repayment problems and there was some historic and current reliance on short-term high-interest loans. However, there's nothing on this report that shows me Moneybarn should've declined his application, or that it should've been unduly concerned about his current financial position.

Mr W has also provided copies of his bank account information for a period before the lending and for some time beyond this. While I wouldn't have expected Moneybarn to have asked Mr W 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 W to verify, or provide more information about, his income and expenditure during this period.

The bank statements show that Mr W's regular income was around £1,650 a month as he says, so it was lower than that recorded by Moneybarn.

His regular living costs seem to be about £700 a month. But his bank statements show that his regular financial commitments were very high at around £2,000 a month. There are, what look to be two existing finance repayments of about £700 a month and Mr W makes some large repayments to his credit cards. I can accept the larger credit card repayments may not have been regular.

But I think it's reasonable to say that Mr W's regular expenditure could have exceeded the income from his employment at times.

But Mr W does receive a significant amount of money from what he has described as his hobby. This looks to be over £10,000 in the three months leading up to the complaint. And he continues to receive this for the remainder of the year.

Mr W has said that this source of funds wasn't regular, and he wouldn't receive these amounts all of the time. But as I've said, the bank statements show he was in receipt of this money regularly and he seems to receive it over a prolonged period. And even if it wasn't regular in the way his employment income was, the amounts are still too significant to ignore. And I would have expected Moneybarn to factor them in.

So even if I accept Mr W's recent figures of his income being £1,750 a month, less his rent of £750 a month, and his finance of £350 plus other bills. And that this would leave him with too little left over each month. I think the further amounts he received make the lending affordable.

Mr W has indicated that some health problems may have led to him making decisions that he doesn't now think are right for him. I can see that he has recently had some significant health problems. I hope things have improved for him.

But I've not seen anything from the time of when the loan was arranged to enable me to say that this was a factor that was important at the time of sale. Or that Moneybarn was, or should have been, aware of this. And so, I don't think it should have done anything differently because of this.

So, and while I appreciate this will come as a disappointment to Mr W, I'm satisfied that, had Moneybarn carried out reasonable and proportionate checks, I think that it's likely that would have found the finance to be sustainably affordable. And it's for this reason why I won't be asking them to refund all or part of the payments Mr W paid, or of any interest and fees he may have been charged.

Did Moneybarn act unfairly or unreasonably in some other way?

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome in this particular case.

### **My final decision**

For the reasons set out above, I don't uphold Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 June 2025.

Andy Burlinson  
**Ombudsman**