

The complaint

Mr C is unhappy that Moneybarn No. 1 Limited trading as Moneybarn ("Moneybarn") didn't adequately assess his financial circumstances before approving a loan for him.

What happened

In July 2023, Moneybarn provided Mr C with finance for a used car through a conditional sale agreement. The cash price of the vehicle was £25,000. Mr C paid a deposit of £924.09 and applied for finance to cover the remaining £23,075.91.

The loan had an APR of 37.5%, interest, fees and total charges of £23,208.41 and the total amount to be repaid of £47,208.41 (including Mr C's deposit). This was due to be repaid through 60 monthly instalments of £784.48.

Following Mr C's complaint to Moneybarn about the checks that were carried out, Moneybarn explained it had carried out proportionate checks which demonstrated the agreement was affordable for him. Mr C remained dissatisfied and referred his complaint to the Financial Ombudsman Service.

The complaint was considered by an Investigator who upheld it because they weren't satisfied proportionate checks had been carried out given a recent default and the amount of debt Mr C already had. Had Moneybarn carried out further checks it would've seen the agreement wasn't affordable for Mr C.

Moneybarn agreed with the investigator's conclusions as well as how to put things right for Mr C. I can see Moneybarn has been in contact with Mr C to provide him with a calculation of the refund due to him.

While Mr C appears to accept the loan ought to not have been advanced to him, he remained unhappy with;

- Not having a date as to when any adverse payment markers are to be removed.
- A timeline as to when the refund will be paid to him.
- A goodwill payment to reflect the impact this agreement had on his mental health as well as him missing out on a mortgage opportunity.

Moneybarn responded, to say that it would remove the adverse payment information on the next reporting cycle after the vehicle is returned to it and it would aim to make the refund to Mr C within 10 working days of recovering the vehicle. It declined to make a goodwill payment given the offer it had made to Mr C was in line with the investigator's assessment. Mr C then reiterated to Financial Ombudsman that he wouldn't accept the offer because there is no payment to reflect the distress and inconvenience that has been caused as well as missing out on the right to buy discount as he was unable to secure a mortgage.

As no agreement could be reached the complaint has been passed to an ombudsman 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.

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 C 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.

Mr C has another complaint at the Financial Ombudsman Service against Moneybarn to do with the quality of the vehicle that was provided. I'm aware of this complaint but Mr C has asked for the irresponsible lending decision to be looked at and that is what this decision will deal with.

To me the lending decision aspect of this complaint appears to be resolved. Both parties have agreed the finance shouldn't have been entered into and so I won't be making a finding about that. And Moneybarn has also shared its calculations with Mr C and he hasn't disagreed with them. So Moneybarn needs to pay the refund that it has explained is already due to Mr C.

But what is undecided is whether Moneybarn should pay additional compensation for the distress and inconvenience that has been caused to Mr C including him missing out on a rent to buy discount as he was unable to secure a mortgage. For completeness I've also dealt with the other points that Mr C raised in response to the investigator's assessment.

Refund and credit file amendment

Moneybarn has agreed to refund the payments Mr C has made – less an amount for fair usage which is in line with the approach the Financial Ombudsman Service takes. It has also explained how quickly the refund would be paid and how long it may take for Mr C's credit file to be updated.

These timescales don't appear to be unreasonable and so as long as Mr C accepts the final decision then Moneybarn should arrange to pay the refund and update Mr C's credit file in line with its procedures.

Help to buy discount

Mr C has said, that as a result of what Moneybarn has reported to his credit file in the form of arrears and the showing that he has *"overborrowed by 100% of the original amount."* Mr C says the mis-representation of the position of the account has caused him to lose a

significant of discount of over £80,000 which he would've secured under the right to buy scheme from his local council.

Mr C has provided a "*Landlord Notice of Purchase Price*" document that set out the discount he could receive. Mr C has also provided a copy of his credit report that was produced by a company that reviews the main credit reference agencies.

Initially, it would seem that at least at the time the report was generated the balance information with the agreement he had with Moneybarn was correct. It shows that the starting balance that Mr C had was just over £46,000 which is broadly the total amount that he was due to pay under the terms of the conditional sale agreement. At the time the report was generated, it shows him still owing just over £38,600.

To me, this shows that Moneybarn reported the total amount Mr C was due to repay it under the terms of the contract and that Mr C had made enough payments to reduce his outstanding total by around £8,000. Moneybarn was showing that the balance on the account was decreasing – and it was.

Mr C has said that the information reported by Moneybarn caused him to miss out on the right to buy discount as he couldn't secure a mortgage. But given what Moneybarn is reporting appears to be broadly accurate in terms of the amounts borrowed and the outstanding balance than I can't say it has made an error here.

I've also not seen any evidence to show that the only reason why his right to buy discount wasn't provided was due to the information reported by Moneybarn. And I also can't be sure, that even if the adverse payment information hadn't been reported by Moneybarn that Mr C would've been accepted for the mortgage and received his right to buy discount.

I say this because Mr C's credit file that he has provided shows other adverse payment information such as defaults from 2023, as well as missed payments on a mobile and utility account. This other adverse information likely played an equal or greater part in any declined application.

Based on the evidence provided, I can't say that Moneybarn actions were the sole reason why he was declined and so missed out on the help to buy discount. I am therefore not awarding any further compensation for Mr C in relation to this part of his complaint.

Payment for distress and inconvenience

I've also considered, whether Mr C should receive a payment to reflect the distress and inconvenience he has explained he has suffered as well as the impact this has had on his mental health. I'm sorry to hear this whole experience has caused Mr C distress and anxiety and I do hope he is receiving the help and support that he needs.

Mr C has provided us with some documentation to show the extent of his mental health issues and I am sorry to see that Mr C is having to deal with this in his life. This evidence dates from February 2024 and I acknowledge it post-dates the loan applications Mr C was making with Moneybarn. Although the information does show Mr C's problems existed prior to the loan being granted.

Firstly, Mr C has recently referred to a legal case from 1990 that he says is relevant to his complaint. Mr C says the case he referred to means that his mental health conditions needed to be taken into account by Moneybarn when making its decision to lend.

But as far as I can see that Moneybarn wasn't aware of Mr C's mental health problems when the loan was advanced – although as I will explain below Mr C did tell it about his problems at a later date. Indeed, the relevant guidance says the starting point is set out in CONC 2.10.4

As Moneybarn wasn't aware or likely to be aware of Mr C's health problems at the time it agreed to lend, I can't say that it did something either by lending to him to adjusting how it dealt with him. However, it has accepted that it was told about Mr C's health problems from March 2024. So, I've looked at this to see whether Moneybarn treated Mr C fairly.

I can see that Moneybarn offered Mr C the option of voluntary termination – which is an option and something I would've expected to be offered to Mr C once Moneybarn was aware of his financial difficulties. This was explained to Mr C in a letter from September 2024. However, Mr C made it clear in an email of 5 October 2024 that he wished to do all he could in order to keep the vehicle.

I can see from the contact notes that in October 2023, Mr C let Moneybarn know of a change in circumstances, and he was advised, at the time that if the agreement payments were too much he could look into part exchange the vehicle – but the notes seem to suggest Mr C didn't want to give up the vehicle .

Moneybarn has provided the notes for the contact in March 2024, where it was informed of Mr C's change in circumstances and what it means for him – by now it knew he was vulnerable. Moneybarn gave Mr C a chance to reach out to other organisations to see whether there was anything else he was entitled to – such as benefits. However, Mr C didn't according to the notes, contact Moneybarn again despite Moneybarn making monthly calls to him.

In July 2024, Moneybarn was provided with more information about Mr C's mental health problems and it looked to offer further support. Following a call back Mr C made a £500 payment and Moneybarn sent him documents via email to complete so it could review whether a repayment plan could be set up.

Again, I don't think asking Mr C to complete income and expenditure forms was unreasonable here – after all it would've given Moneybarn to chance to see whether it could do anything else to assist him.

I've seen an email sent to Mr C in October 2024, where Moneybarn outlines the options available to him – which may have included seeking help and support from a third-party debt adviser or entering into a Debt Management Plan. But it then agreed a repayment plan with Mr C at the end of October 2024 – again this is a reasonable course of action for Moneybarn to have taken as while it increased his monthly repayments, it kept him in the vehicle.

I'm of course sorry to hear about Mr C's health problems and how this has impacted him especially in light of the problems he has had with the vehicle. But, while Moneybarn has now agreed to put things right, until the investigator's assessment it didn't consider there had been an error and so it was entitled to collect and seek repayment of the debt in line with the credit agreement. There is also no requirement for a lender to suspend collection activity if a complaint is referred here.

But, given what I've seen, I don't think a further award is warranted by Moneybarn. So, I've set out below what Moneybarn has already agreed to do in order to put things right for Mr C.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results

in fair compensation for Mr C in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Below I've set out what the investigator recommended and what Moneybarn has agreed to do to put things right for Mr C. Having considered Mr C's additional comments what Moneybarn has agreed to do is fair and reasonable and so it should pay the below in order to put things right for Mr C.

I've not put in a total amount that Mr C owes Moneybarn because since the investigator's assessment further payments may have been made – instead the fair usage figure below is taken from the view and will need to be used to calculate the number of months Mr C has had the car.

- Arrange to collect the vehicle from Mr C at not cost to him.
- End the finance agreement ensuring Mr C is not liable for contracted monthly payments after the point of collection
- Refund the deposit, adding 8%* simple interest per year from the date of payment to the date of settlement.
- Calculate how much Mr C has paid Moneybarn to date and from that retain a figure of £385 per month to reflect fair usage of the vehicle. If Mr C has paid more than the fair usage figure then Moneybarn should refund any overpayments adding 8%* simple interest per year from the date of payment to the date of settlement.
- If an outstanding balance still remains due than both parties should try and come to a mutually agreeable repayment plan for the balance. I would remind Moneybarn of its obligation to treat Mr C fairly and with forbearance.
- Remove any adverse payment information recorded on Mr C's credit file in relation to this agreement.

*HM Revenue & Customs requires Moneybarn to take off tax from this interest. Moneybarn must give Mr C a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I'm upholding Mr C's complaint.

I direct Moneybarn No. 1 Limited trading as Moneybarn to put things right in the way I've set out above and what it has already agreed to do.

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

Robert Walker
Ombudsman