

The complaint

Mr M says Moneybarn No. 1 Limited trading as Moneybarn ('Moneybarn'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards a conditional sale agreement to purchase a car. He says the lending was unaffordable for him and he prioritised the repayments to Moneybarn which led to him falling behind on his other bills. He thinks Moneybarn took advantage of his desperate situation.

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

What happened

Mr M has also complained about the commission that he paid within the agreement. I'm not considering this aspect of his complaint. This will be looked at separately at a later date.

This complaint is about a conditional sale agreement that Mr M took out to purchase a car in 2015. The vehicle had a retail price of £6,495 and all of this was financed. This agreement was to be repaid through 47 monthly instalments of £218.67. If Mr M made repayments in line with the credit agreement, He would need to repay a total of £10,277.49. Mr M paid the credit agreement in full, and it has now ended.

Mr M has complained to Moneybarn saying that the provision of credit was irresponsible and was unfair. This was because he was already experiencing financial difficulties, and this should have been clear from the information that was available to Moneybarn when the finance was started.

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

Our Investigator didn't uphold Mr M's complaint. She didn't think that Moneybarn had made proportionate checks, particularly as it didn't find out about Mr M's expenditure. But she thought that if Moneybarn had made proportionate checks it would have still thought the loan was affordable still would've lent to Mr M.

Mr M didn't agree with the Investigator, and he said that the calculations our Investigator had made in respect of Mr M's income and expenditure weren't correct. He said that if this was looked at properly they would show that he couldn't afford the finance repayments.

There was some further correspondence, but no new issues were raised. Because Mr M 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 M 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 M 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 M'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 M 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 M what his income was, and he told it that it was around £2,200 a month from his full time employment. It said that it checked that this was a reasonable fit for his stated occupation and it also looked at some payslips. I think it's reasonable to say that Moneybarn established what Mr M's income was.

Moneybarn also checked Mr M's credit file, and it's provided a summary of the information it received and reviewed. This showed there were no insolvency information or county court judgements (or similar) on Mr M's credit reference agency data.

Mr M did already have some existing credit with balances of £9,375. This was recorded as being revolving credit which is usually agreements such as credit or store cards (or similar). He was using 81% of his balances he had available for these.

The credit reference agency data did show that Mr M had defaulted on some credit thirteen months ago. The initial default balance was recorded as being £6,300 but was now reduced to £2,100.

Moneybarn concluded from all of this information that Mr M was managing his debt reasonably well, and this wouldn't lead to the new finance being unaffordable.

But other than finding out some information about Mr M's existing credit, Moneybarn doesn't seem to have asked, or found out about, his expenditure. It's said that it divided his income by four to estimate this, but I think this is inappropriate and I doubt would have provided a useful or meaningful estimate of what he was spending.

Given this, I don't think I can say the checks that Moneybarn says it did were reasonable or proportionate. Moneybarn seems to have relied on the fact that Mr M was employed, with a reasonable income, and didn't have significant 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 M could afford these loan repayments, particularly as they had to be repaid for 47 months. I think Moneybarn should have done more here. It should have, for example, looked into what Mr M's expenditure was.

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 M 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 M has provided copies of his bank statements for a few months before the lending. While I wouldn't have expected Moneybarn to have asked Mr M 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 M to verify, or provide more information about, his income and committed expenditure during that specific period.

From this our Investigator calculated that Mr M had an average monthly income of just under £3,000. He was paying about £350 to his mortgage and his direct debits were just over £800 a month. His expenditure on food and fuel was just over £50. And from this she concluded that Mr M was likely able to afford the car finance.

Mr M disagrees with this, and I've thought about the detailed income and expenditure calculation he has provided. He thinks that part of his income was a rebate of a bill overpayment, and this was about £650 a month of his income. And a lot of his food and fuel expenditure was paid in cash. And the cash withdrawals were significant. When these adjustments were made, then Mr M says he had very little, or nothing at all, left over.

I've thought about all the interpretations of Mr M's expenditures, and I don't see a value in looking at these in detail. This is because, looking at Mr M's overall circumstances, he had a reasonable income and his bank statements don't show any signs that he was, at the time the finance was arranged, living outside of his means. In fact, the opposite seems to be the case in that he was reducing the amount he owed due to the credit problems he had in the past.

Added to this the monthly repayments to the credit weren't a large compared to his monthly income, so it would be reasonable to expect that he could pay them or adjust his finances to pay them. And I think this would be the case even if the rebate he was receiving stopped. This is because his mortgage and other fixed payments did leave him with enough left over from his employment income.

So I think that, if Moneybarn had performed better checks, it would have seen this and still lent to Mr M. And I think this would have been reasonable.

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

Did Moneybarn act unfairly or unreasonably in some other way?

Mr M said as part of his complaint that he didn't receive a lot of support from Moneybarn when he ran into financial difficulties. But as far as I can see he repaid the loan without problems and there was no indication, to Moneybarn, that he was in difficulty. I can't see that

Moneybarn was made aware of any problems Mr M may have been having so it won't be reasonable to say it should have acted on these.

I've also considered whether Moneybarn acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr M 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.

I haven't seen anything to make me think Moneybarn acted unfairly or unreasonably in some other way.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 August 2025.

Andy Burlinson
Ombudsman