

The complaint

Mr R complains Moneybarn No.1 Limited (Moneybarn) irresponsibly entered into a car finance agreement with him without carrying out reasonable and proportionate checks to ensure the lending was affordable for him.

What happened

Mr R took out a conditional sale agreement with Moneybarn in January 2021 in order to acquire a used car. The cash price of the car was £5,111 and no advance payment was made. The total amount repayable was £10,588.14 and Mr R was to make 59 monthly repayments of £179.46. The agreement was voluntarily terminated in October 2022.

Mr R is represented in his complaint, but for ease of reading, I'll simply refer to Mr R throughout this decision. Mr R complained to Moneybarn on 13 September 2024 about the lending decision. It said there was a lack of proper affordability checks. He was concerned this may have given rise to an unfair relationship.

Moneybarn responded to the complaint on 17 October 2024. It said it carried out reasonable and proportionate checks. It carried out an affordability assessment based on declared income which it verified, estimated expenditure and a credit search. Based on the information obtained, it felt the agreement was affordable for Mr R.

Mr R remained unhappy and asked our service to investigate. Our Investigator looked into things. Whilst she felt the checks carried out hadn't been reasonable or proportionate, it was her view that had such checks been carried out its likely they would have shown the lending was affordable. Mr R didn't agree with our Investigator's findings. In summary, he said:

- In the three months leading up to the finance agreement, his average income was £1,160.64. However, his average committed expenditure at the time was £1,195.82. This includes groceries, credit card repayments, vehicle expenses and utility bills.
- After the monthly repayments, he would only be left with -£214.63 which isn't affordable. This has been calculated before taking off costs for an MOT and other emergency costs.

Therefore, 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.

Our approach to irresponsible lending complaints is set out on our website. In summary, there are some key questions I need to ask in order to fairly decide this complaint. These are:

1. Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mr R was in a position to sustainably repay the credit?
 - If so, did it make a fair lending decision?
 - If not, what would reasonable and proportionate checks have shown at the time?
2. Did Moneybarn act unfairly or unreasonably towards Mr R in some other way?

Moneybarn had to carry out reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the credit sustainably. It's not about Moneybarn assessing the likelihood of being repaid, but it had to consider the impacts of the repayment on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mr R was in a position to sustainably repay the credit?

Moneybarn have provided details from the application. It said Mr R had declared an income of £1,400 per month and was in full time employment. Moneybarn have confirmed it verified his income through its affordability assessment. Mr R also confirmed he was a tenant.

Moneybarn also said it completed a credit search. It hasn't been able to provide a copy of the search it completed, but it has provided a summary which I've considered. It said this showed he had defaulted on some previous borrowing, the most recent of these had been 71 months prior to the application. It said there was no county court judgments or insolvency records. It calculated Mr R's monthly repayments towards his credit commitments as £125. He had a revolving credit balance of £1,237 and a non-revolving credit balance of £1,777. The highest utilisation of his revolving credit balance had been 102% which showed he had exceeded his available limit. Mr R has provided a copy of his credit report which also reflects what Moneybarn was likely to have seen at the time.

Moneybarn used data from the Office of National Statistics (ONS) to estimate Mr R's expenditure as £783.43. This included housing costs, council tax, utilities, vehicle costs and basic living. It also included a buffer. Total expenditure, including credit commitments, was calculated to be around £948.30 which left a disposable income of £451.70. Moneybarn felt this was sufficient to ensure Mr R could afford the repayments.

Taking everything into account, I think Moneybarn ought to have done more to ensure the lending was affordable for Mr R. I've taken into account the total amount payable, the duration of the agreement and the monthly payments. I'm also mindful the information Moneybarn obtained indicated Mr R had high utilisation of his revolving credit balance and seemed to have exceeded his limit. Whilst this doesn't seem to have been by a significant amount, it could indicate Mr R wasn't managing his finances. Weighing up all the information I have, I don't think it was reasonable in the circumstances for Moneybarn to have relied on ONS data. I think it ought to have asked Mr R some more questions about his essential spend in order for it to satisfy itself the lending was affordable.

Would reasonable and proportionate checks have shown Mr R could afford to sustainably repay the credit?

Although I don't think the checks carried out were reasonable and proportionate, it doesn't mean the complaint should automatically be upheld. I also need to consider what reasonable and proportionate checks were likely to have shown. To do this, I have considered bank statements from the three-month period leading up to the lending decision. This includes statements from Mr R's own account and an account he held jointly with his partner. Although I don't necessarily think Moneybarn needed to go as far as to obtain bank statements, I'm satisfied they give a good indication of what Moneybarn was likely to have discovered through reasonable and proportionate checks. I'm also mindful Mr R wanted the credit at the time, and it is with this in mind that he would have presented his circumstances.

When applying for the finance, Mr R declared net monthly income of £1,400. The average on his statements seemed to be around £1,293. I have noted what his representatives have said about receiving a lower income in one of the months. But I don't think it's likely this is generally what he expected to receive on a monthly basis. This is because of what he declared at the point of the application and in two of the three months he received significantly more. Moneybarn also completed an income and expenditure with Mr R later into the agreement and he confirmed a higher amount. Additionally, I'm mindful Moneybarn have confirmed it verified his declared income, and I don't think it necessarily had reason to question what he had declared. However, for the purposes of my decision, I have taken the average amount received over the three months. Although this is lower than what was declared, I'm satisfied it doesn't change the outcome.

I also note Mr R held a joint account with his partner and she also contributed to this account. Mr R has told us his partner was responsible for council tax and rent. I note there were also joint expenses from this account including food and bills, and his partner regularly transferred money into it. I've considered the payments she made, and I have deducted the money transferred back to her. Having done so, his partner contributed between £600 to £1,100 to the joint account over the months leading up to the agreement. On average she contributed around £873 and, as there were joint expenses from this account, I think it is fair to consider this contribution when considering the affordability of the lending.

Having reviewed the statements, I'm satisfied Mr R's essential non-discretionary spend seemed to be around £1,253. This includes payments towards food, credit commitments, utilities, communications accounts, regular payments and withdrawals and so on. Taking Mr R's income and the average contribution from his partner, he would be left with around £734 disposable income after the repayment amount of £179.46. Even looking at the month when Mr R's partner's contribution was at its lowest (around £600), there would still have been around £461 disposable income remaining after the repayments. I think this was likely to have seemed sufficient to cover any additional expenditure. So, it seems likely reasonable and proportionate checks would have shown the agreement was affordable and sustainable.

Additionally, looking at how Mr R managed his financial commitments I don't think there was anything to suggest Moneybarn shouldn't have lent to him particularly where it was likely to have seemed he could afford the repayments. Although I have noted he had high credit utilisation, he didn't seem to be overindebted and he was keeping up to date with repayments. He also had some previous financial difficulty, but this seemed to be sometime before the lending. I appreciate he missed payments after he entered into this agreement, but I have to take into account the information Moneybarn were likely to have obtained at the time.

Overall, I don't think Moneybarn completed reasonable and proportionate checks to ensure the lending was affordable. However, weighing up all the information I have, I think such checks were likely to have shown this agreement was affordable and sustainable for Mr R.

Did Moneybarn act unfairly or unreasonably towards Mr R in some other way?

I can see Mr R did miss some payments which fell due under the agreement. At the relevant times, Moneybarn issued arrears letters and spoke to him to understand the reasons for the missed payments. Subsequently, Mr R brought his account back up to date. In October 2022, Moneybarn provided Mr R with his exit options following a telephone conversation. Mr R proceeded to voluntarily terminate the agreement and made the final payment to bring the agreement to an end. From what I've seen, I don't think Moneybarn have acted unfairly or unreasonably towards Mr R in relation to this matter.

I've also 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 Moneybarn lent irresponsibly to Mr R 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.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 October 2025.

Laura Dean
Ombudsman