

The complaint

Mrs P, who is represented by a third party, complains that Moneybarn No.1 Limited (“Moneybarn”) irresponsibly granted her a conditional sale agreement she couldn’t afford to repay.

What happened

In August 2021, Mrs P acquired a used car financed by a conditional sale agreement from Moneybarn. The cash price of the car was £5,999 with Mrs P being required to make 58 monthly repayments of £177.54. The total repayable under the agreement was £10,119.78.

Mrs P settled the agreement by way of an early settlement in February 2024.

Mrs P says that Moneybarn didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. Moneybarn didn’t agree. It said that it carried out a thorough assessment which included a search of Mrs P’s credit file and checking her level of paid income.

Our investigator looked into the complaint and didn’t recommend the complaint be upheld. She thought Moneybarn hadn’t acted unfairly or unreasonably by approving Mrs P for the finance.

As Mrs P and those representing her have disagreed, saying that Mrs P’s actual monthly outgoings were a lot higher, the complaint has been passed to me for 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.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs P’s complaint.

Before granting the finance, I think Moneybarn gathered a reasonable amount of evidence and information from Mrs P about her ability to repay. I say this because it completed a credit check to understand how Mrs P had managed her existing and previous finance arrangements and also verified Mrs P’s the income she’d put on her application.

Moneybarn says its credit search showed that Mrs P had defaulted on credit around 51 months earlier and that she was making contributions towards paying this back. I don’t think this alone was enough to make the agreement unaffordable. And I can’t say that I’ve seen any significant evidence of problems with other credit more recently, such as arrears building up or accounts going into default.

Moneybarn also used statistical information to work out what Mrs P's typical monthly spending was likely to be. The regulator has said firms can estimate expenditure unless it knows or there are indicators to suggest an estimate is unlikely to be accurate.

However, just because I think Moneybarn carried out proportionate checks, it doesn't automatically mean it made a fair lending decision. So, I've thought about what the evidence and information showed. Whilst, as I've said above, Mrs P had experienced some historical issues with managing her finances, she appears to have been in much better control of her financial and debt commitments in recent years.

I've reviewed the information and evidence Moneybarn gathered. Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mrs P. I say this because, taking into account her monthly income of £1,260 that was verified before she took out the agreement, she looked able to repay her existing credit debt which worked out to around £290. And I haven't seen any other evidence to show or suggest that Mrs P might have been getting into financial difficulty. It follows that, having taken into account her typical level of monthly household bills and daily expenses, I don't think Moneybarn acted unfairly when approving the finance application. I say this given that Mrs P's average monthly daily expenses and committed expenditure worked out at around £620. So it looks likely that typically she would have had around £340 in disposable income each month.

I will add here that I've also noted that Moneybarn didn't take into account the significant amount of additional income Mrs P was receiving each month by way of state benefits – shown on the bank statements she's provided. I am not saying that Moneybarn needed to carry out further checks, given the likely level of disposable income available to Mrs P. But had it done so, it's likely it would have seen this too.

I therefore agree with our investigator that it's likely Mrs P would have been left with sufficient disposable income to cover the monthly repayments due under the agreement.

I've seen that those representing Mrs P have suggested that her fixed monthly outgoings were much higher. My role is to look at the question of whether or not Moneybarn acted fairly at the time it agreed to provide Mrs P with the finance, taking into account what it found out about her financial situation. From what I've seen I consider Moneybarn's checks to have been reasonable and proportionate and so I won't be requiring Moneybarn to do anything more.

I've considered whether the relationship between Mrs P and Moneybarn 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 her or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 11 November 2025.

Michael Goldberg
Ombudsman