

The complaint

Miss A believes Secure Trust Bank Plc trading as Moneyway acted irresponsibly when it approved her application for car finance in January 2022.

Background

Miss A applied for car finance from Moneyway in January 2022. The total value of the car was £15,484, she paid a £2,000 deposit and Moneyway added £8,629.60 to the overall agreement meaning Miss A had to repay a total of £24,123.60 over a 48-month period.

At the time of applying for the credit Miss A has said she was working full time but her income varied from month to month. She was living at home but had a number of existing credit commitments which she was already struggling to maintain. She doesn't think the credit was affordable for her or that the checks Moneyway did were sufficient. She says if Moneyway had properly considered her existing commitments, and clear indicators of financial stress, it wouldn't have agreed to give her access to more credit.

She's asked that Moneyway refund all interest and charges, remove all adverse information from her credit file, refund the deposit she paid for the vehicle and pay her compensation for the distress and upset caused by its irresponsible lending decision.

Moneyway has said that at the time Miss A applied for the lending it ran all the necessary checks and having done so was satisfied the credit was affordable for her. While it accepts there was evidence of recent arrears on her credit file it didn't think this was an automatic reason to decline her application. As it didn't think it was wrong to provide her with the finance it didn't uphold her complaint.

Unhappy with Moneyway's response Miss A brought her complaint to our service. I issued a provisional decision on the case on 6 May 2025. In it I said I thought Moneyway had been wrong to approve Miss A's application for car finance and explained I intended on upholding the complaint and asking the business to refund all interest and charges applied to the credit agreement. I asked both parties to respond by 20 May 2025 with any additional comments or information they wanted me to consider before issuing my final decision.

Miss A responded and accepted my findings.

Moneyway asked for a week's extension to reply which was granted. It then responded to the provisional decision stating it had never seen Miss A's bank statements despite asking this service to provide them and asking for clarification on whether or not Miss A would need pay the remainder of the capital amount borrowed, stating by it's calculations there was still approximately £474.40 outstanding to be repaid.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In its response Moneyway said it never had sight of Miss A's bank statements and so hasn't been able to consider the impact they may have had on Miss A's complaint or credit application. However, as explained in the provisional decision I don't think it was necessary for the business to have seen these statements to realise that the lending was unlikely to be sustainable or affordable. So, I don't think the fact its not had sight of them places the business at a disadvantage. And I've also explained what is evident in those statements, as did the investigator before me, so Moneyway was made aware of Miss A's compulsive spending problems prior to the receipt of my provisional decision and so has had ample opportunity to consider how it may impact her complaint.

Moneyway also asked for clarification on whether or not Miss A needed to repay the outstanding capital amount owed. As stated in the provisional decision my intention was to ask Moneyway to refund all the interest, fees and charges associated with the credit agreement. But Miss A does need to repay the capital amount owed so if there is still a balance outstanding that will need to be repaid by Miss A. I have set this out in my directions below.

As Moneyway didn't provide any new or evidence in response to my provisional decision, I've not seen anything that changes my mind, so I'm upholding Miss A's complaint as per the rationale set out in my provisional decision. For the sake of clarity, I'll repeat those findings here.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application.

I also want to acknowledge that I've summarised the events of the complaint. But I want to assure both parties, and in particular Miss A, that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Moneyway has said that at the time Miss A applied for the credit it checked the information on her credit file and asked her to declare her monthly income and current out goings. Having done those basic checks it felt there was sufficient evidence to indicate she had enough disposable income each month to meet her monthly repayments of £460.70 per month.

Looking at the information provided by Miss A I can see that at the time she applied for the credit she was living at home with her parents but was making some contributions towards rent and household bills. In addition, she had a number of existing credit obligations, including two personal loans, one for £2,000 and the other for £10,000 both taken out approximately six months prior to application with Moneyway. She had also opened two new credit card accounts in the three months before applying for the car finance. So, it's clear that Miss A had applied for a lot of additional credit in the six months leading up to applying for the finance with Moneyway.

In addition to the new loans and credit cards, Miss A also had two bank accounts that had individual overdraft facilities of approximately £2,000 per account. At the time she applied both of these facilities were being used regularly and indeed were almost entirely utilised

meaning Miss A had approximately £4,000 of overdraft debt across both accounts. Which was also approximately twice her monthly salary.

Looking at her credit file it is also apparent that Miss A had missed a number of monthly repayments to one of her loans in the three months prior to applying for the car finance. These repayments were for approximately £280 so considerably less than the monthly car finance repayments would be, and these arrears occurred around the same time she applied for the two new credit card accounts.

So, I think there was sufficient evidence available to Moneyway, just from reviewing Miss A's credit file, to understand that she was showing clear signs of someone who was struggling to maintain the credit she already had and was in a position, given the overdrawn balance on both bank accounts, that she would be relying on credit there to meet her monthly repayments to Moneyway. So, I don't think it should have approved her application.

Had Moneyway wanted to test whether or not the lending may have been manageable, it could have asked for more information such as banks statements, from Miss A. If it had done it would have realised that not only was she living in her overdraft, and missing existing repayments for amounts smaller than the one she was committing to with it, but she was also showing other signs of financial distress, such as borrowing from family members and gambling in a compulsive and harmful way. All of which would have further supported what Moneyway ought to have realised from the checks it did complete, namely that the lending was both unaffordable and unsustainable for Miss A. This is further emphasised that Miss A began missing payments to Moneyway in March 2022, only two months after securing the credit.

Which means I don't think the lending decision was reasonable and I'm upholding Miss A's complaint on that basis.

My understanding is that Miss A is still in possession of the car and so I think that she should keep the vehicle and Moneyway should refund all interest and charges add to the capital amount borrowed. Any overpayment made by Miss A should be refunded and 8% simple interest added to it. Miss A has asked that the £2,000 deposit she paid be refunded to her but I've included this as a payment towards the overall cost of the car, which was £15,484 at the time of lending, and so it wouldn't be reasonable to ask Moneyway to refund this as she has possession of the car and so should pay its full price.

Miss A has also asked for additional compensation because of the extreme distress and upset she experienced as a result of obtaining the credit. While I want to assure Miss A I have fully considered all of the evidence she's provided to demonstrate the impact her overall financial problems has had on her health and wellbeing, I also want to clarify that the purpose of this organisation isn't punitive. It is not our role to punish businesses when things go wrong and there were a number of factors that impacted Miss A at the time, not all of which are linked to Moneyway's lending decision.

So, I don't think it would be reasonable to ask it to pay her additional compensation on top of the full interest and charges refund I currently think is appropriate. I hope Miss A understands why I've come to this conclusion and that it in no way indicates I don't believe or appreciate how difficult things have been for her since January 2022.

Finally, I've also considered whether Moneyway acted unfairly or unreasonably in some other way, including whether its relationship with Miss A might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, I've not seen anything that makes me think this was likely to have been the case.

Putting things right

In order to put things right Secure Trust Bank Plc trading as Moneyway should:

- Refund all interest, fees and charges added to the agreement from its start date up to the date it's settled
- Apply 8% simple interest to all refunds, starting from the date of payment, up to the date of settlement*
- If there's still an outstanding balance, Moneyway should come to a reasonable repayment plan with Miss A
- Once the outstanding capital owed has been repaid Moneyway should remove any adverse information that may have been recorded on Miss A's credit file in relation to the agreement
- Once the capital amount borrowed has been repaid Moneyway should transfer full ownership of the vehicle to Miss A

*HM Revenue & Customs requires Moneyway to take off tax from this interest. Moneyway Limited must give Miss A a certificate showing how much tax it's taken off if she asks for one.

My final decisio

For the reasons set out above, and in my provisional decision of 8 May 2025, I uphold Miss A's complaint against Secure Trust Bak Plc trading as Moneyway.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 26 June 2025.

Karen Hanlon
Ombudsman