

The complaint

Ms P believes Moneybarn No.1 Limited (Moneybarn) have acted irresponsibly by agreeing a conditional sale agreement she couldn't afford to repay. Ms P also feels Moneybarn have not dealt appropriately with her request for assistance after she fell into financial difficulties and began struggling to make the repayments.

What happened

In May 2021 Ms P acquired a vehicle financed by a conditional sale agreement from Moneybarn. Ms P paid a deposit of £1,500 and was required to make 59 monthly repayments of £231.12. The total amount repayable under the agreement was £15,136.08.

In April 2024, Ms P complained to Moneybarn. The details of the complaint are familiar to both sides, so I won't repeat them here. Later that month, Moneybarn issued its final response to the complaint, in which it said it did not think it had acted unfairly. Unhappy with this, Ms P referred the matter to our service.

One of our investigators reviewed Ms P's complaint and issued their first set of findings in May 2024. In doing so, they didn't think Moneybarn had treated Ms P unfairly, and so they didn't recommend that the complaint be upheld.

Ms P didn't agree with the investigator's findings and, in doing so, provided some further information. The investigator reviewed matters considering this new information. They issued a second set of findings in June 2024, although the overall outcome the investigator reached did not change.

There was quite a lot of back and forth between our service and Ms P in the months that followed however, ultimately, an agreement couldn't be reached so the complaint was passed to me to decide.

I issued a provisional decision on 14 May 2025 in which I said that, having reviewed all the information provided by both parties, I was minded to reach the same overall conclusion as our investigator, but for different reasons. Here's what I had to say:

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

However, whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a discourtesy to either party, but it reflects the informal nature of this service in resolving disputes.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Ms P. I hope my explanation helps her to understand why I've come to this conclusion.

The lending decision

Moneybarn needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms P could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Ms P was likely to have been able to repay the borrowing in a sustainable way?

i. If Moneybarn carried out such checks, did it lend to Ms P responsibly using the information it had?

Or

ii. If Moneybarn didn't carry out such checks, would appropriate checks have demonstrated that Ms P was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Ms P lose out as a result of Moneybarn's decision to lend to her?

3. Did Moneybarn act unfairly or unreasonably in some other way?

Did Moneybarn carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Ms P was applying for along with the size, length and cost of the borrowing; and*
- Ms P's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.*

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;*
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and*
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.*

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Ms P's complaint.

Prior to agreeing to lend, Ms P was asked to provide details of her net monthly income. Ms P declared her net monthly income was £1,150. Moneybarn verified this by asking Ms P to provide her two most recently monthly payslips. Having reviewed these payslips, Moneybarn made slight downward adjustment to Ms P's net monthly income to £1,131.39.

Moneybarn also say they did a credit check. It can't provide a copy of the full output from these checks, although it has provided a summary of what it saw. The summary suggests Moneybarn saw Ms P had existing credit commitments totalling £3,183, of which the vast majority was in the form of revolving credit. Further, it appears Ms P had no outstanding CCJs or payday lending. But it did show that Ms P had nine defaulted accounts with a combined outstanding balance of £10,500. The most recent default was applied 20 months prior to the lending in question.

Moneybarn also explained it used statistical data from the Office of National Statistics (ONS) to estimate Ms P's non-discretionary expenditure which it combined with the external credit commitments derived from the credit check. From this, it calculated Ms P's disposable income as being around £242.12.

Here though, I'm not persuaded the level of checks Moneybarn carried out were proportionate.

I say this for several reasons. Firstly, the loan was not insignificant relative to what Moneybarn understood about Ms P's income. Indeed, it represented roughly 45% of Ms P's gross annual income² and she was set to commit around a fifth of her net monthly income to repay that sum over a significant period of time (59 months). This meant she would pay £15,136.08 when the interest on the loan was factored in.

But, more than this, according to the credit check Moneybarn carried out Ms P had £10,500 in outstanding defaults. Whilst the most recent default was applied 20 months ago, it would seem Ms P had made modest inroads into the defaulted balance in that time. Indeed, the overall defaulted balance had reduced by just £300. This may be because Ms P was repaying a nominal sum towards the defaulted balances by choice, but Moneybarn couldn't rule out the equally likely possibility that it was because she simply couldn't afford to repay more which may point to someone still experiencing financial difficulties.

With this in mind, in my view, it wasn't reasonable to rely on an estimate of Ms P's living costs given the monthly payments, the – albeit historic – unsatisfied defaults and the length of time the agreement was due to run for. I think it should have made further enquiries into Ms P's non-discretionary expenditure rather than relying on what it did to establish the same (including the use of statistical data from the ONS).

In other words, I think Moneybarn needed to do more to ensure it had a proper understanding of Ms P's overall financial situation to be satisfied she could afford the loan sustainably for the next five years. I think such checks were not only proportionate but also necessary to determining whether the loan in question was likely to prove repayable on a sustainable basis.

I've thought about the overall circumstances in which the application was made and, having done so, I don't think the checks Moneybarn carried out were reasonable and proportionate.

Would reasonable and proportionate checks have demonstrated that Ms P was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown Moneybarn in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate checks showing Moneybarn that Ms P would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that Moneybarn hadn't considered in May 2021.

Moneybarn could have obtained a deeper understanding of Ms P's financial circumstances by asking for her bank statements, for example.

Ms P has provided bank statements covering most of 2021. For the purposes of my decision, I will focus on the bank statements covering the three months before Ms P applied for the lending in question (i.e. February 2021-April 2021), as I think this would have given Moneybarn a good understanding of Ms P's overall financial circumstances. I accept that something that we can now see from the information Ms P has provided wouldn't necessarily have been disclosed by whatever reasonable and proportionate checks Moneybarn might have decided to carry out. But, in the absence of anything else from Moneybarn, I don't currently think it's unreasonable to rely on Ms P's bank statements when determining what her financial circumstances were likely to have been like before she applied for this loan.

Having looked at the bank statements for February, March and April 2021, I can see that Ms P received her salary, universal credit and child benefit in terms of regular income. On average, this income equated to £2,123 per month. I note there were a number of other payments received from various individuals. These payments were sporadic and varied in value. Ms P has confirmed that these payments were from family and friends who were helping her cover bills.

I don't think it would have been reasonable for Moneybarn to have included these receipts as reliable streams of income. After all, there's nothing in the bank statements covering the three months before this loan that suggests that Ms P's friends or family had set up a mandated payment each month – like a Standing Order for example. And the statements don't – in my view – suggest that anyone was making contributions that Moneybarn could have reasonably described as consistent.

What's more, when Ms P applied for this loan, she did so in only her name – which means she was the only person responsible for the repayments. As a result, Moneybarn had to satisfy itself that she could afford the loan on her own. And as I've said before, it had to ensure that she could make the repayments sustainably when doing that. That means she had to be able to repay this loan without undue difficulty – which includes not having to forgo other reasonable commitments or borrow to meet the repayments.

Therefore, I have not included these receipts in my decision-making. Notwithstanding this, Ms P's income appeared to be quite a bit higher than the net monthly income Moneybarn calculated at the point of application.

The bank statements do also, more clearly, reveal a number of Ms P's regular outgoings over the course of February, March and April 2021 totalling around £971 – including average payments of roughly:

- £20 to BT;
- £4.50 to RAC;
- £14.50 to Premier Vet;
- £37 to Three;
- £38 to Creation;
- £10 to Smarty (mobile phone)
- £13 to TV Licencing;
- £113 for Council Tax
- £100 to British Gas
- £800 for rent

In addition to the above, the bank statements show Ms P was making a number of payments to debt recovery agencies:

- £20 to Lowell
- £10 to PRA Group
- £15 to Pastdue Credit Solutions
- £10 to The Zinc Group
- £10 to United Kash
- £10 to Lantern
- £10 to 1st Locate UK Ltd

I understand Ms P had a private arrangement of £50 per month for a vehicle she purchased from a family friend. Ms P has explained that this vehicle was involved in an accident that was not her fault and, therefore, she had to sell it for scrap which, I assume, prompted her to purchase the vehicle in question. Indeed, I can see Ms P received an insurance pay out in May 2021 and it looks like the damaged car was sold later that same month. So I'm satisfied these payments to her family friend did not represent an ongoing obligation once Ms P had purchased the new vehicle, therefore I have not included this figure in her regular expenditure.

Alongside what appears to be discretionary spending, the bank statements also suggest that Ms P spent an average of approximately £430 per month in supermarkets over those same three months.

All of this suggests that Ms P had regular commitments of approximately £1,235 a month on average, plus a further £430 in essential spending. Deducting these figures - and the monthly payments for the lending in question of £231.12 - from Ms P's net monthly income of £2,123 suggests she had around £227 a month left over for discretionary and emergency expenditure.

I recognise that this buffer would decrease once Ms P's obligation to pay car insurance and road tax for her new vehicle kicked in – expenses I couldn't see on the bank statements prior to the lending in question – but even factoring this in I think it is likely Ms P would still have had enough money left over.

Ms P did have a second account at the time and she has kindly provided statements covering the three months prior to the lending in question. Ms P has explained that she simply used this account to transfer monies received for bill payments, as it offered a higher rate of interest than her primary account. In short, these statements don't throw up any indication of additional financial strain.

I couldn't see any obvious payments towards a water bill on the bank statements provided. Our investigator asked Ms P about this. Ms P said that she was on a six-month payment holiday for her water bill at the time. I have no reason to think that, had Moneybarn asked Ms P about this at the time it agreed to lend, it would have discovered the same.

On the face of it, it would seem problematic that someone who needed to repay £15,136.08 over 59 months would be on a payment holiday for a priority bill. However, I've thought very carefully about this and, having done so, I don't think Moneybarn would have reached a different lending decision had it gathered this information.

I say this because Ms P's bank statements don't show other signs of financial difficulties such as payday loans, returned direct debits or reliance on an overdraft facility. Further, the bank statements suggest that there was a reasonable amount of discretionary spending.

What's more Ms P's wider financial situation, including her overall indebtedness and recent repayment history, did not suggest she was in difficult financial circumstances such that she would struggle to make the repayments in question once her payment holiday for her water bill ended. So, had it seen this information, I think Moneybarn would have still decided to lend.

And as I think Ms P was probably left with enough disposable income to service the loan in question and leave her with a reasonable cushion once all of the regular expenditure I've referred to above was taken into account (including the repayment, over a reasonable period of time, of her revolving credit debt identified on the credit report Moneybarn obtained), I don't think Moneybarn would have been concerned

Ms P has explained the difficult financial circumstances she has experienced since entering into the agreement, including amongst other things, a change in jobs resulting in a reduction in income. I appreciate that Ms P might have significant financial issues that started after she took the finance out. But, when considering a complaint about a decision to lend, I have to think about whether the lender, in this case Moneybarn, made a fair lending decision based on the information it gathered (or likely would have gathered if it had carried out reasonable and proportionate checks) at the time it approved the loan. After all, Moneybarn could not have known that Ms P circumstances would change were there was no evidence to suggest they would. I think there was evidence at that time that this finance was affordable for Ms P.

With all of this in mind, if Moneybarn had made further checks, as I think they should have, then I think it's unlikely it would have decided the loan was unaffordable or unsustainable for Ms P. So, I don't think Moneybarn acted unfairly by agreeing to lend.

Did Moneybarn act unfairly or unreasonably in some other way?

Ms P has complained about the way Moneybarn has treated her since she took out the agreement.

In particular, Ms P is unhappy that Moneybarn did not agree to reduce her monthly payments if she made a lump sum payment of £2,000 towards the agreement - instead it offered to reduce the overall term of the agreement.

Further, Ms P has said that following a change of jobs in October 2022 her income became lower than it was when she entered into the agreement - as a result of which the payments have become unaffordable – and she doesn't feel Moneybarn has done enough to support her.

Whilst I appreciate the difficult position Ms P has been in and continues to find herself in, I also need to consider what I'd reasonably expect Moneybarn to do.

With regards to the request to make a lump sum payment to the account with the effect of reducing the monthly repayments. When a borrower pays off part of a finance agreement, this payment could be used to either reduce the outstanding term (keeping the monthly repayments the same) or reduce the monthly repayments (keeping the outstanding term the same). The finance agreement should set out what will happen in these circumstances and, if it doesn't, I'd expect the lender to tell the borrower what would happen.

I've seen a copy of the conditional sale agreement documents signed in May 2021.

The terms and conditions of this agreement say:

3. EARLY REPAYMENT

3.1 You have the right to repay the amount you owe under this Agreement early either in part or in full, at any time. If you wish to exercise this right then you must notify us in writing at ...

3.2 If the early repayment at clause 3.1 is in part, then your payment should be made (and funds cleared) with 28 days beginning with the day after the day that we receive your notice, or on or before any later date specified in your notice. You may also be due a rebate of interest. If requested, we will write to you to let you know the details of whether you are due a rebate or not and we will tell you the implications this will have on your future repayments.

It's not clear from the terms and conditions that Moneybarn will always use a partial early settlement to reduce the outstanding term, not reduce the monthly repayments. The contemporaneous notes suggest Moneybarn notified Ms P that, if a lump sum payment were made within the relevant timeframe, it would reduce the number of monthly repayments remaining and Ms P would be due a rebate of interest totalling £2,897.84.

It isn't the role of the Financial Ombudsman Services to tell financial businesses what policies they should have in place. This is a decision Moneybarn can make in line with its regulator, the FCA. So, in my view, Moneybarn haven't done anything wrong by offering to reduce the term instead of the monthly repayments. I say this bearing in mind I haven't seen evidence that a reduction in the monthly repayments (rather than the loan term) was requested at the time.

But Moneybarn has and did have an obligation to deal with customers in financial difficulties positively and sympathetically. So, if Ms P had explained to them at the time that she wished to make the partial early settlement in order to reduce her payments because she was in financial difficulties; then I'd expect Moneybarn to have considered restructuring the payments, not the term, if that were possible. But I haven't seen anything to show me that Ms P told Moneybarn she was in financial difficulties at this point.

From what I've seen, it appears Moneybarn become aware of potential financial difficulties when Ms P wrote to Moneybarn in September 2023 to ask how much was left to pay on the agreement because she was struggling with [the] high interest, shortly after which it was notified about the cancellation of the Direct Debit and the subsequent repayment was missed. I can see Moneybarn wrote to Ms P at this time to invite her to contact them to discuss her situation which could include carrying out an income and expenditure assessment with a view to setting up a sustainable repayment plan. And it provided her information about organisations that could assist her. Further, it put a temporary hold on the

account to allow Ms P time to get in touch. In my view, Moneybarn acted appropriately once it became aware of potential financial difficulties.

Whilst it's not immediately clear, it does not look like a discussion took place between Ms P and Moneybarn took place at this time. And I note the contractual repayments appear to resume from this point. Further, the contemporaneous notes don't indicate that any subsequent conversation took place until Ms P raises her complaint in April 2024, at which point the account is up to date.

But if Ms P is continuing to experience financial hardship, I'd expect Moneybarn deal with her current financial difficulties positively and sympathetically and look to arrange a mutually agreeable repayment plan.

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Ms P has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Ms P 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.

In response to the provisional decision Ms P raised a number of points. I'd like to thank her taking the time to do so. In short, Ms P said:

- There were signs of financial difficulties present on the bank statements; specifically, Ms P said she had several payday loans prior to the finance agreement in question (these are the transactions going out to the Zinc, Lantern, PRA Group etc. referenced in the provisional decision);
- The absence of an overdraft facility on the bank statement was, according to her bank, due to her *low income, being on universal credit and credit history*.

Moneybarn did not respond to the provisional 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.

I've also carefully considered everything that has been said in response to my provisional decision. Having done so, I am not minded to depart from the findings set out in my provisional decision. This being that I don't think Moneybarn need to do anything further to resolve matters. I understand this will come as a disappointment to Ms P, but I'll explain why I don't think what has been said in response to my provisional decision changes the outcome I've reached.

In response to the provisional decision, Ms P has said that – contrary to a conclusion I reached – there were signs of financial stress on her bank statements. Specifically, Ms P has said she had several payday loans prior to the taking out the finance in question with a number of different lenders. Ms P has said she entered into payment arrangements with these lenders which are the payments debiting her account to Zinc, Lantern, PRA Group amongst others.

As I set out in my provisional decision, prior to agreeing to lend, Moneybarn carried out a credit search which did not reveal any active payday lending. But it did reveal a defaulted

debt of £10,500 – the most recent of which was applied 20 months prior. I don't think the presence of payments to various debt recovery companies would have put Moneybarn on notice that Ms P was active using payday lending. I say this because not only did its credit search suggest there was none but – had Moneybarn seen Ms P's bank statements – it would, reasonably in my view, likely have concluded that these relatively modest payments were contributions to the historic defaulted debt of £10,500 of which it was aware, rather than evidence of active payday lending.

Bearing in mind the most recent default was applied 20 months prior and – for the reasons I explained in my provisional decision the lending appeared to be affordable and sustainable based on the other information Moneybarn gathered (or ought to have gathered) – I don't think the presence of these payments ought to have given Moneybarn cause to decide not to lend.

Turning to Ms P's second point. I understand and accept that her bank did not provide her with an overdraft because of her financial circumstances. However, I don't think this is likely to be something Moneybarn knew – or could reasonably be expected to know – as part of reasonable and proportionate checks. However, in any event, I don't think one lender's decision to refuse an overdraft facility should, in and of itself, be a reason another lender should decide not to lend.

For these reasons – as well as the reasons set out in my provisional decision which should be read in conjunction with my final decision – I don't think Moneybarn acted unfairly when it agreed to lend or in the way it has treated Ms P since she took out the agreement. So I don't think it needs to do anything further to resolve this complaint.

In reaching this conclusion, I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Ms P has complained about, including whether their relationship with her might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Ms P 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

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 27 June 2025.

Ross Phillips
Ombudsman