DRN-5611633

The complaint

Mrs E, 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 September 2020, Mrs E acquired a used car financed by a conditional sale agreement from Moneybarn. Mrs E was required to make 60 monthly repayments of £300.04, having paid a deposit of £100. The total repayable under the agreement was £17,802.36.

Mrs E 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 verifying her income, estimating her monthly expenses and running credit checks.

Our investigator didn't recommend the complaint be upheld when he looked into the complaint. Whilst he couldn't say whether that, due to the lack of information, the checks were reasonable and proportionate, he thought that thorough or better checks would have shown the new agreement to be affordable.

As Mrs E doesn't agree with our investigator's findings, 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 E's complaint.

I'd like to reassure Mrs E that I've looked at the complaint afresh and independently reviewed all the available information. Having done so, I am not upholding Mrs E's complaint for broadly the same reasons as our investigator. I'll explain why.

Before granting the finance, Moneybarn took steps to assess Mrs E's ability to repay. I don't have a copy of her actual application form, but Moneybarn says she told them she was in full-time employment. I've also seen from the contact notes that she was married, suggesting that there were joint incomes in the household. Moneybarn verified Mrs E's income as being £1,468 per month, using a credit reference agency. Moneybarn also looked at Mrs E's credit history, finding that she'd had a county court judgment registered against her 54 months earlier as well as a number of defaulted accounts, the most recent being 20 months earlier.

Moneybarn also looked into what her monthly expenses were likely to be, estimating them to be around £840 once her credit commitments had been factored in. Although I can see it allowed £17 per month for other credit repayments, I can't see what this was based on.

I think, given her history of issues with credit and that she was about to take on a five-year credit commitment, it would have been reasonable and proportionate for Moneybarn to have done more to be assured that Mrs E would have been able to repay the new borrowing sustainably. Moneybarn could have done this by gathering more detail about Mrs E's financial circumstances before deciding to agree the lending, such as taking steps to verify her actual expenditure rather than relying on an estimate based on statistical data. But it doesn't look as if it did that, based on what I've seen.

Relying on its affordability assessment and using statistical data to calculate her essential monthly spending, Moneybarn found that Mrs E would have around £780 available in disposable income.

I can't be certain what if anything Mrs E told Moneybarn about her regular expenditure. Requesting bank statements would be one way to get a better idea. In Mrs E's case, those representing her have provided us with an open banking report from a company that backs it up with an AI analysis of income and spending commitments. Our investigator reviewed this, looking into the three months leading up to the agreement. He saw that Mrs E was receiving an average monthly income during this time of about £1,646, having discounted some additional sums she was receiving in relation to her boarding costs. After taking those and her credit repayments into consideration, he worked out that she needed to allow around £760 each month for her living and other committed costs. That would leave her with around £884 each month. Having deducted the new repayment that means she be left with disposable income of around £584 each month.

I'm in broad agreement that Mrs E seemed to be managing her monthly income and committed outgoings reasonably well. Those representing Mrs E have prepared their own calculations, suggesting that after meeting the new payment she would be left with little if any funds for disposable income. But that continues to factor in the full extent of Mrs E's spending, which includes discretionary spending – that is things she chose to but didn't have to spend her money on. The only additional issue I would comment on is a payment of £200 that was made in July and again in August 2020 which appears to relate to a debt where a court order had been made. On that basis, and on the assumption that she would have to pay the £200 each month for the immediate future – I would reduce her disposable income by that amount. That still leaves her with a figure in the region of £384 each month to fund non-essential and emergency items, including her car costs.

I should add here that I don't think it's unreasonable to expect there to be an element of sharing household costs, given that at the time of taking out the agreement Mrs E and her husband were both working.

To summarise, I don't see enough to show or suggest evidence that Mrs E was in financial difficulty, or at risk of falling into such difficulties, at the time she made her application. I am not suggesting that Mrs E wouldn't have to be careful with her discretionary spending going forward so as not to overstretch her finances. Equally, I can't fairly say there was enough to suggest that Moneybarn ought to have been prompted to ask further questions, had it had sight of the actual bank statements or other details about her actual financial circumstances.

I've also thought about whether Moneybarn ought to have done more than it did to help and support Mrs E once she'd started paying the agreement. I've seen that she was sent reminders and updates about missed or late payments and that Moneybarn made attempts to contact her to discuss these. I've also seen that Mrs E was in touch with Moneybarn in

December 2020 and September 2023 when she was experiencing difficulty meeting payments. She agreed payments to make up arrears on the second occasion. Each time she was taken through giving her income and expenditure details. I think these were reasonable steps to take in terms of supporting her.

It follows that I think Moneybarn made a fair lending decision and I therefore won't be upholding this complaint. I realise this will come as a disappointment to Mrs E.

I've considered whether the relationship between Mrs E and Moneybarn might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mrs E 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 I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 29 August 2025.
Michael Goldberg
Ombudsman