DRN-5626168

The complaint

Mr F and Mrs L, who are represented by a third party, complain that Moneybarn No.1 Limited ("Moneybarn") irresponsibly granted them a conditional sale agreement they couldn't afford to repay.

What happened

In March 2017 Mr F and Mrs L acquired a used car financed by a conditional sale agreement from Moneybarn. They were granted £6,320 in credit which they were required to pay back by way of 60 monthly repayments of £220.86. The total repayable under the agreement was £13,030.

The agreement came to an end in August 2022.

Mr F and Mrs L say that Moneybarn didn't complete adequate affordability checks. They say if it had, it would have seen the agreement wasn't affordable.

Moneybarn didn't agree. It said that it carried out several checks before offering Mr F and Mrs L the finance. This included verifying income, carrying out a credit search relying on statistical data to estimate Mr F and Mrs L's likely committed expenditure each month.

Our investigator didn't recommend the complaint be upheld. Whilst she thought that Moneybarn ought to have been prompted to carry out better checks during the application process, ultimately Moneybarn didn't act unfairly or unreasonably by providing the finance.

As Mr F and Mrs L didn't agree with our investigator's finding, 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 Mr F and Mrs L's complaint.

I've seen that Moneybarn required certain pieces of information before approving the finance. Mr F and Mrs L said they were both employed full-time and living in a rented property. Mrs L's income was checked against two of her payslips and was verified as being £1,685 per month – which was higher than the income she'd stated in her application of £1,210. But I've not seen evidence of what if any checks were made to also establish Mr L's income at the time.

Moneybarn also used a credit reference agency, although it no longer has the original details of what it found – only a summary. They were making payment of £142 each month towards things like credit cards and another £150 towards loans. The summary shows evidence of five credit accounts having gone into default, the most recent one being around 25 months earlier. It's not clear who the credit check was made against.

Moneybarn also used statistical data to try to work out what Mr F and Mrs L's monthly spending was likely to be. Based on that it calculated they'd have around £1,700 in disposable income available. Unfortunately, the breakdown Moneybarn has sent us doesn't give an actual breakdown of how this was spread across their household spending each month.

Like our investigator, I have concerns about whether the checks carried out by Moneybarn were good enough, especially given that I can't see what checks were made specifically against Mr F and who the credit check was carried out against. Nevertheless, I think the existence of past credit issues ought to have given rise to Moneybarn carrying out better checks. Also, I'm unable to say that Moneybarn choosing to rely on statistical information about Mr F and Mrs L's likely spending each month was borrower-focused enough to help show what their regular committed expenditure and other monthly living expenses were likely to be.

I also have to keep in mind that Mr F and Mrs L were both taking on a significant financial commitment over a five-year period. I therefore think it would have been proportionate for Moneybarn to have got a more thorough understanding of their financial circumstances before lending to them.

I can't be certain what Mr F and Mrs L would have told Moneybarn had it asked about their regular expenditure. I don't think Moneybarn was necessarily required to request bank statements, but it's one way to have gained a better idea of Mr F and Mrs L's wider financial situation at the time. Mr F and Mrs L and their representative have sent us some bank statements from both before and after the agreement was finalised. Their representative has also prepared a breakdown of their spending. I should point out that my focus here is on what Moneybarn would likely have seen had it carried out better checks than it did. Therefore, when looking into the affordability of an agreement I wouldn't usually look beyond the point where the finance was approved.

Our investigator has reviewed all the information provided. Having done the same, I'm broadly in agreement with what they found. Having reviewed the bank statements for both Mr F and Mrs L, they looked to have an average joint income each month of around £2,300 in the three months leading up to the agreement. Then, looking at their committed spending for household costs and credit repayments, they looked to have somewhere between £800 and £900 available by way of disposable income. Our investigator went on to factor in other payments made to family members and some short-term borrowing. I agree that these don't appear to be regular items of spending. But even with them taken on board, Mr F and Mrs L were likely to be left with around £500 in disposable income each month. On that basis, the payment of £220.86 under the new agreement looked to be affordable.

I appreciate that, given that there isn't a great deal of detail from which to understand how both Mr F and Mrs L were managing their spending their representative prepared a breakdown for each of them. I'm grateful for this, but I also see there are significant amounts of cash spending by Mrs L which aren't account for. My role here is to try to establish what information Moneybarn was likely to have seen if it had carried out further checks at the time. I think that had they done this for both Mr F and Mrs L, no particular concerns would have been raised that might cause Moneybarn to reconsider or make further enquiries before agreeing to the finance.

All of this means that at the time of the agreement, I don't consider there to have been enough to show or suggest there might have been a real risk that evidence of Mr F and

Mrs L's financial situation might be worsening. So, although its checks should have been better, I think that ultimately Moneybarn made a fair lending decision.

I've seen that Mr F and Mrs L got in touch with Moneybarn when they missed payments and needed to bring them up to date. I've looked at what happened by reviewing the available customer notes. Whilst I'm not suggesting that there wasn't anything more it could have done, what I've seen doesn't show that Moneybarn acted unfairly or unreasonably or that it should have done more to help and support Mr F and Mrs L, either when they missed payments or in some other way.

I've considered whether the relationship between Mr F and Mrs L 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 Mr F and Mrs L or otherwise treated them 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 Mr F and Mrs L to accept or reject my decision before 18 September 2025.
Michael Goldberg
Ombudsman