

## The complaint

Mrs B complains MONEYBARN NO.1 LIMITED (Moneybarn) irresponsibly lent because it entered into a car finance agreement with her without carrying out reasonable and proportionate checks to ensure the lending was affordable.

## What happened

Mrs B entered into a conditional sale agreement with Moneybarn on 4 May 2016 in order to acquire a used car. The cash price of the car was £4,895 and the advance payment was £5. The total amount payable was £9,734.69 and Mrs B was to pay 59 equal monthly repayments of £164.91. The agreement was settled on 15 July 2021.

Mrs B is represented in her complaint, but for ease of reading I'll simply refer to Mrs B throughout this decision. Mrs B complained to Moneybarn on 23 May 2024. She said Moneybarn had failed to carry out adequate affordability checks, and it should have been aware from its credit search that she had struggled to service existing credit commitments. She said if there had been any loss of income or unexpected bills, then she would not be able to pay the credit alongside other demands. She said it failed to obtain evidence such as bank statements, payslips and other information in order to demonstrate her ability to repay the debt.

Mrs B has also complained about commission, but this is being dealt with separately and is not the subject of this decision.

Moneybarn responded to the complaint on 4 June 2024. It said the checks carried out had been reasonable and proportionate. It said it used payslips to verify her income and had other information about her employment. Additionally, it said her existing borrowing levels were reviewed, and monthly credit commitments appeared affordable. She had some defaults, but these were sometime before the lending and Mrs B was reducing the overall balance. It felt the lending decision had been responsible based on the information obtained and it didn't uphold the complaint.

Mrs B remained unhappy and asked our service to investigate. Moneybarn has consented to our service considering the merits of this complaint. Our Investigator looked into things and explained why she felt the complaint shouldn't be upheld. She felt the checks hadn't been reasonable and proportionate, but had such checks been carried out it was likely they would have shown Mrs B could afford the lending.

Mrs B didn't agree with our Investigator's findings, in summary she said:

- She was self-employed leading up to the agreement and as such had an unsteady amount of income. Our Investigator averaged the income to reach a figure of £1,917 per month, and calculated Mrs B's outgoings as around £1,250 per month. Our Investigator said this would leave Mrs B with around £500 after the monthly repayments.
- However, in some months Mrs B would be making less than £1,000 and then in other

months around £1,500 as can be shown in the bank statements. It was unstable because she was self-employed.

- The payslip from April 2016 shows Mrs B was in receipt of holiday pay of £400 and had she not been she would have received less than £1,594.08. This highlights that in some months she had a lower income and could receive even lower. In the context of her having bills/outgoings of around £1,250, it clearly shows the agreement wasn't affordable.
- There were missed payments, expressed by the notice of sums in arrears she received. This may have been when her income was at lower points as mentioned and thus she found it difficult and strenuous to maintain and keep up the monthly payments. The active debt would also have caused her further financial strain.
- Overall, proportionate checks were not carried out and had they been they would have shown the lending was unsustainable. The repayments were financially strenuous, and Mrs B couldn't afford to meet the repayments on time because of other bills and debts. In the months when she did make the repayment, this was because she prioritised the agreement over other commitments.

Mrs B has since confirmed she wasn't self-employed, but she was on a zero-hour contract which she recalls starting in 2015. She's also provided some further information about her expenditure at the time.

As Mrs B didn't agree with our Investigator's findings, the case has been passed to me to decide.

### **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.

Our approach to complaints about irresponsible and unaffordable lending is set out on our website. In summary, there are some key questions I need to consider in order to decide what's fair and reasonable. This includes:

1. Did Moneybarn carry out reasonable and proportionate checks to satisfy itself Mrs B was in a position to sustainably afford the repayments?
  - If so, did Moneybarn make a fair lending decision?
  - If not, what would reasonable and proportionate checks have shown?
2. Did Moneybarn act unreasonably or unfairly towards Mrs B in some other way?

Moneybarn had to carry out reasonable and proportionate checks to satisfy itself that Mrs B would be able to repay the credit sustainably. It's not about Moneybarn assessing the likelihood of being repaid, but it had to consider the impacts of the repayment on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

*Did Moneybarn carry out reasonable and proportionate checks to satisfy itself Mrs B was in a position to sustainably afford the repayments?*

In respect of Mrs B's income, it seems from the application she declared an income of £1,600. Moneybarn went on to verify a monthly income figure of £1,938 per month by

obtaining two payslips from Mrs B. It also had other details about her employment – including her employer.

It also completed a credit search before providing Mrs B with the credit. It hasn't retained a copy of the search from the time, but it has provided a summary of the information it saw. This showed Mrs B had a credit balance of around £5,302. She had three defaulted accounts which had all been defaulted more than 18 months prior to the lending decision. Also, the original default balance was £1,100 and Mrs B had reduced this to around £700 at the time of the lending. The credit search showed the worst current status for her active credit commitments was one (indicating she had missed a payment).

Having reviewed the checks carried out by Moneybarn, I can't see that it reasonably considered Mrs B's other non-discretionary expenditure (outside of her credit commitments). Without this, I don't think it could be sure Mrs B would be able to sustainably afford the credit. I'm mindful of Mrs B's declared income and I've also thought about the adverse information on Mrs B's credit file. Additionally, I've thought about the size and duration of the agreement, the total amount repayable and the size of the monthly repayments. Having done so, I think Moneybarn ought to have obtained further information about Mrs B's essential expenditure (such as housing costs, food, bills and so on). In the absence of this information, I don't think the checks were reasonable and proportionate.

*Would reasonable and proportionate checks have shown Mrs B was in a position to sustainably afford the repayments?*

Whilst I'm not satisfied the checks carried out were reasonable and proportionate, this doesn't automatically mean the complaint should be upheld. I must now consider what I think reasonable and proportionate checks were likely to have shown had they been carried out at the time of the lending. To do this, I have considered Mrs B's bank statements, and these cover the three months leading up to the lending decision.

To be clear, I'm not saying Moneybarn needed to go as far as to have obtained bank statements in order to complete reasonable and proportionate checks. There are many ways in which a lender might obtain expenditure information including asking a consumer about their essential spend. Nevertheless, I think the statements give a good indication of what was likely to have been disclosed by Mrs B had she been asked some more questions about her specific expenditure. I'm also mindful that she did apply for the lending and wanted the car at the time. So, it is in this light that she would have presented her circumstances.

Firstly, I'd note that I don't think it was reasonable for Moneybarn to use the income figure it did. Mrs B declared an income of £1,600. The payslip from March 2016 did show a higher monthly income. However, the gross annual income recorded on the payslip didn't support that she was likely to receive this higher amount every month. Moreover, the payslip from April 2016 reflected what Mrs B had declared. I'm mindful Mrs B has confirmed she was on a zero-hour contract but there isn't anything which persuades me Moneybarn was aware or ought to have been aware of this.

Additionally, I note she was paid holiday pay in April 2016. However, I think it would have seemed to Moneybarn that she was using her entitlement, and I don't think it ought to have realised she might have received less had she not taken holiday. Ultimately, Mrs B declared an income of £1,600 from her employer and I don't think reasonable and proportionate checks were likely to have discovered she could expect to receive less than this. In addition, Mrs B was in receipt of child benefit, this was around £20.70 per week and it's reasonable to include this as it was likely to have been used towards essential expenditure.

Whilst what I've set out here differs to what was explained by our Investigator, I'm satisfied it doesn't change the outcome of the complaint. I say this because having reviewed Mrs B's bank statements I think reasonable and proportionate checks were likely to have determined her ongoing financial commitments to be around £1,280 per month. Overall, this meant she would be left with around £238 per month after making the car repayment of £164.91. I think this was sufficient to demonstrate the sustainability and affordability of the agreement.

I've also considered the information I have about Mrs B's credit commitments and how she was managing them at the time. However, I don't think there is enough here to say Moneybarn shouldn't have lent to Mrs B. The defaults had occurred more than 18 months before the lending, and she had reduced her default balances. I'm also mindful there was a missed payment, and I note Mrs B was utilising her overdraft. However, I've already explained why I think the information ought to have prompted more thorough checks and for the reasons set out I think those checks were likely to have shown Mrs B could sustainably afford the repayments.

Therefore, I'm not satisfied the checks completed by Moneybarn were reasonable and proportionate. However, I think had such checks been carried out, they were likely to have shown Mrs B was in a position to sustainably afford the repayments. I do acknowledge Mrs B may feel differently about her circumstances at the time, and I understand she will be disappointed by my decision. However, I must consider what was likely to have happened on balance and based on the evidence I have.

*Did Moneybarn act unfairly or unreasonably towards Mrs B in some other way?*

Having reviewed the information I have, including the account notes and statement of account, I've not seen anything which would lead me to conclude Moneybarn treated Mrs B unfairly in some other way. For example, I've seen it contacted her about her missed payments and provided a payment holiday in April 2020. The agreement was then settled in July 2021. Whilst Mrs B has explained she experienced financial difficulties, I'm unable to conclude Moneybarn ought to have done more.

I've also considered whether the relationship 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 Mrs B or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 7 November 2025.

Laura Dean  
**Ombudsman**