DRN-5655691

The complaint

Mr M complains Moneybarn No. 1 Limited trading as Moneybarn irresponsibly provided him with an unaffordable regulated credit agreement.

Mr M's complaint has been brought by a professional representative but for ease I've referred to all submissions as though they are his own.

What happened

Moneybarn approved Mr M for a credit agreement in November 2017 for a vehicle with a total cash price of around £4,700. The agreement was repayable over 41 monthly instalments of around £205 with a total repayable value of around £8,400.

In April 2024 Mr M made an irresponsible lending complaint to Moneybarn. He said this agreement hadn't been affordable for him and that had Moneybarn completed proportionate checks at the time it lent it would have identified this. Mr M therefore said Moneybarn acted unfairly by providing him with this credit agreement.

Moneybarn didn't uphold Mr M's complaint saying its checks were proportionate and that it had fairly provided Mr M with this credit agreement.

Unhappy with Moneybarn's response Mr M referred his complaint to our service for review.

Our investigator considered the details and didn't uphold the complaint. While he wasn't satisfied Moneybarn had completed proportionate checks before providing the credit; he went on to conclude better checks would still have led to it reasonably arranging this agreement for Mr M.

Moneybarn didn't respond to our investigator's view. Mr M responded and disagreed. In summary he maintained his arguments and pointed to expenditure details he considered Moneybarn should have identified through proportionate checks; and that it should have reasonably concluded this agreement wasn't affordable for him.

Mr M asked for an ombudsman's review, so the complaint 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.

The information in this case is well known to Mr M and Moneybarn, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr M or Moneybarn by taking this approach, but this simply reflects the informal nature of our service.

We’ve set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. And I’ve seen our investigator set out this approach within their view.

At the time Moneybarn arranged this agreement for Mr M it was required to carry out proportionate checks. These checks required it to assess Mr M’s ability to afford the agreement being arranged and repay it sustainably, without causing him financial difficulties or financial harm.

There isn’t a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower’s individual circumstances.

I’ve followed this approach when considering Mr M’s complaint.

Moneybarn has provided evidence that it obtained Mr M’s declared income and that it verified this by obtaining two recent months’ payslips. It also completed a credit check to identify Mr M’s active debt as well as his management of credit.

Moneybarn says it completed proportionate checks before going on to make a fair lending decision when providing Mr M with this credit agreement.

I’ve carefully considered the information and arguments Moneybarn has presented. Having done so, I’m not persuaded its checks were proportionate. However, like our investigator I consider it did make a fair lending decision when providing Mr M with this credit agreement. I’ve gone on to explain my reasons for this below.

Mr M declared to Moneybarn that he was employed with a monthly income of around £1,900. Moneybarn requested and obtained two months’ worth of payslips from Mr M, for October and November 2017. These payslips led Moneybarn to verify Mr M’s net monthly pay was on average around £1,760 per month, and it used this figure in its affordability calculations.

Moneybarn also conducted a credit check which identified Mr M had no insolvency markers, recent defaults or CCJs reported. It did show a default reported 30 months before this application, which still had an outstanding balance. However, I consider this was historic, and it had reduced, albeit modestly. The credit check also identified around £13,300 of existing debt, the vast majority of which, around £12,900 was on a non-revolving basis.

The credit check showed no active payday or home credit accounts, nor that any of these types of accounts had been opened in the recent months leading up to this application.

Moneybarn doesn’t appear to have looked to have understood Mr M’s non-discretionary monthly expenditure. Given the terms of lending being provided, I consider Moneybarn needed to reasonably understand Mr M’s overall financial position, to satisfy itself this credit agreement was affordable for Mr M.

Mr M has said he considers Moneybarn should have asked him for his statements so it could understand and verify his actual income and expenditure. I think it’s helpful for me to set out here that I don’t consider proportionate checks required Moneybarn to verify Mr M’s actual expenditure; but rather to obtain an understanding of it. This could have been by taking Mr M’s declarations, using industry recognised statistical data, or indeed asking Mr M for his bank statements. But I’m mindful that the regulations Moneybarn needed to follow aren’t prescriptive in what information it should obtain.

Our investigator asked Mr M to provide his bank statements evidencing his income and non-discretionary expenditure in the months leading up to this application. As a service we generally ask for bank statements as it's a reliable way for us to understand what more detailed checks at the time would likely have shown the lender.

I note that Mr M has provided us with statements covering multiple accounts. Generally, even if we considered a business should verify an individual's actual expenditure, we wouldn't expect a business to request or obtain multiple account statements from an individual; rather their main account which evidences income and some non-discretionary expenditure. So, while Mr M makes reference in his complaint details to his expenditure across multiple accounts; again, I don't consider proportionate checks would likely or reasonably have led to Moneybarn obtaining all of this information in any event.

While I've gone on to review the statements Mr M has provided in order to obtain a reasonable understanding of what his non-discretionary expenditure was at the time; as I've set out above, I don't consider Moneybarn needed to have verified Mr M's actual expenditure, rather than obtaining an understanding through his declarations or using online statistical data. So, it follows that my consideration here takes into account what I consider Moneybarn would more likely have identified, through the level of proportionate checks I consider it needed to complete.

Given Moneybarn had verified Mr M's actual income through sight of his payslips, I've focused my review of the statements on the non-discretionary expenditure I consider Moneybarn would reasonably have identified.

I've seen that Mr M has made payments towards what appears to be car related costs and subscription services. While it's not clear from the statements, Mr M has told us that he was living with family members and paying them £450 a month to cover rent and a contribution towards utility bill costs. I think it's reasonable that Mr M would have declared this to Moneybarn; and that it would have allocated some cost towards housing costs within its calculations. So, in total Mr M's non-discretionary expenditure averages around £590 a month.

Mr M's commitments to credit appear to average around £510 a month. However, I note that Mr M appears to be making payments to his revolving credit accounts in excess of the minimum amounts required, given the information Moneybarn obtained through the credit check it completed. Mr M has questioned this, stating that he had a higher level of revolving debt than Moneybarn's credit check appeared to report. And that he'd taken out short term lending products in the months leading up to this lending, which isn't reported on the credit check it completed.

However, Moneybarn is reasonably entitled to rely on information it obtains when it has no reason to question or consider its authenticity or accuracy. And I don't consider there was anything within the credit check information it obtained, and has provided our service, which ought to have caused it concerns.

I also note that some of the committed expenditure through Mr M's accounts appear to be towards debt management and collection companies. On balance, given what I've set out above, I'm not persuaded proportionate checks would more likely than not have led to Moneybarn identifying these. But in any event, these commitments total on average around £510 per month.

Mr M's bank statements also show a monthly payment of around £340 towards an existing vehicle credit agreement. Mr M has provided statements for December 2017 which show this payment has stopped. And it's been supported by Mr M's professional representative that this agreement ended in November 2017, therefore meaning Moneybarn wouldn't have reasonably included this commitment within its affordability assessment.

So, taking all of the above into account, as a minimum Mr M would be left with an average disposable income of around £660 for other living costs as well as repayments to this new agreement. And given my findings on what I consider Moneybarn would more likely have reasonably identified through proportionate checks, I consider this disposable income figure would likely have been higher in any event.

Mr M has made reference to other transactions on his bank statements which Moneybarn should have taken notice of through proportionate checks. However, as I've set out above, I don't consider proportionate checks would have led to Moneybarn verifying Mr M's actual expenditure. And these transactions are spread across multiple accounts. So, it follows I don't consider, on balance, it more likely than not that Moneybarn would, or should, have identified these transactions. I consider this is further supported by Mr M's comments within his complaint submission to our service, where he's said '*I needed a new one* [vehicle] *to get to work.*' So, I consider Mr M would more likely have looked to present his financial situation to Moneybarn in a positive manner to ensure as far as possible that his lending application was approved.

Taking all of the above into account, I consider proportionate checks would more likely than not have shown Moneybarn that this agreement was affordable for Mr M. So, it therefore follows I don't consider Moneybarn made an unfair lending decision when providing Mr M with this credit agreement.

I've gone on to consider whether Moneybarn acted unfairly or unreasonably in any other way in relation to this agreement.

I've seen Mr M largely maintained payments in line with the agreement; and ultimately settled it early. While Mr M has made reference within his complaint submission to receiving a default on the account due to not meeting his contractual obligations; Moneybarn has confirmed all payments were made in line with the agreement or agreed payment arrangements, and the statement of account supports this. Moneybarn has said Mr M was incorrectly sent a notice of default in early 2018; however, it was communicated to Mr M at the time that this had been sent in error due to him updating his direct debit details.

As well as Mr M's concerns around affordability from the outset, Mr M has also made reference to struggling to afford the agreement later in its term, due to changes in his financial situation. He's said he had to borrow money from a family member to settle the agreement early. I've seen from the notes Moneybarn has provided that Mr M did make it aware of a change in his financial circumstances; and at this time Moneybarn applied a payment break on the account to provide Mr M with assistance. So, from the evidence I have available it appears Moneybarn acted reasonably when Mr M made it aware of financial difficulties.

As part of his submissions to our service Mr M has made us aware of personal circumstances, including health conditions. I'd like to thank Mr M for openly providing us with this information. I acknowledge this would have impacted Mr M's circumstances before and throughout this agreement, but I can't reasonably conclude Moneybarn should have identified these through proportionate checks.

Mr M has made reference to Moneybarn paying him compensation for the distress and inconvenience he says this credit agreement caused him. As I don't consider Moneybarn did lend irresponsibly to Mr M, or otherwise treated him unfairly in relation to this agreement, I don't consider it needs to make an award of compensation for distress or inconvenience.

I’ve gone on to consider whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. Having done so I haven’t seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

I acknowledge my decision will be disappointing for Mr M, but for the reasons set out above I’m not directing Moneybarn to take any further action in resolution of this complaint.

My final decision

My final decision is that I don’t uphold Mr M’s complaint about Moneybarn No. 1 Limited trading as Moneybarn.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 5 September 2025.

Richard Turner
Ombudsman