

The complaint

Ms S complains through a representative that Secure Trust Bank Plc trading as Moneyway (“Moneyway”) failed to carry out adequate affordability checks before it lent to her.

What happened

In April 2019, Moneyway provided Ms S with a hire purchase agreement for a used car through a credit intermediary. The cash price for the car was £5,175 and the full amount was financed. The charge for the credit was £3,890.80 with a total to repay of £9,065.80. This was to be repaid through 59 monthly repayments of £150.93 followed by a final payment of £160.93. A statement of account produced in June 2025, shows Ms S still owes Moneyway £120.

Moneyway issued a final response letter, and it explained why it had fairly assessed the finance to be affordable. The complaint was referred to the Financial Ombudsman where it was considered by an Investigator.

In the latest assessment, the Investigator said Moneyway ought to have carried out further checks into Ms S’s finances before lending because there was recent impaired credit history. Had Moneyway carried out further checks before lending it would’ve not lent.

Moneyway didn’t agree, saying it made the correct lending decision because Ms S would’ve been left with more than £100 per month in disposable income. Ms S also made all her payments as expected for more than three years and the only reason why there were difficulties was due to a change in her circumstances.

These comments didn’t change the investigator’s assessment and so the complaint has been passed to an ombudsman for a 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 irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Ms S’s complaint. Having carefully thought about everything I’ve been provided with, I’m upholding Ms S’s complaint. I’d like to explain why in a little more detail.

Moneyway needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Moneyway needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Ms S before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Moneyway as part of the application Ms S declared a monthly income of £1,597. There is contradictory information within the submission and the final response letter as to whether any checks were undertaken into Ms S's income. But whether further checks were made or not doesn't lead to a different outcome.

Moneyway then went about working out Ms S's expenditure using a combination of information received from the credit file as well as using data supplied by the Office of National statistics.

The credit file showed payments costing £150 per month, rent was calculated at £435 with a cost-of-living payment – to take account of food, utilities and other costs of £702 per month. Overall, Moneyway worked out that Ms S's outgoings came to £1,287. This left Ms S with £310 to cover the loan payment and so Moneyway concluded the agreement was affordable.

Moneyway carried out a credit search and it has provided a summary of the results that it received. The results showed impaired credit history. While three accounts had defaulted between 2014 and 2018 with the most recent default being recorded around 18 months before this loan agreement – that may not have been overly concerning. But the credit check results did show that she was still having problems managing her existing commitments. A communication account was two months in arrears at the point the finance was advanced and in my view, this couldn't just be ignored.

I appreciate, Moneyway used statistical data to try and work out what Ms S's living costs may have been but that wasn't reasonable where it knew that Ms S was already having difficulties maintaining her existing creditors. So, like the Investigator I do think further checks were needed.

Moneyway could've gone about making further checks a number of ways. It could've simply asked Ms S what her living costs were, asked for evidence from her about her bills, requested any other documentation it felt was needed or as I've done, it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Ms S's regular living costs are likely to have been at the time. I've not done this because I think Moneyway ought to have requested this information as part of underwriting this loan. After all Moneyway already had a reasonable idea of Ms S's credit commitments.

I accept had Moneyway conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Moneyway conducting a proportionate check I do think it's fair and reasonable to consider the bank statements that I now have access to. And having looked at the statements I've come to the same conclusions as the investigator for broadly the same reasons.

I also want to be clear, that I've not used the bank statements to carry out a line-by-line review of Ms S's circumstances as that would've been disproportionate. Instead, I've used them to assist me to get an idea of what her regularly living costs were.

Had Moneyway looked more closely at Ms S's living costs I can see her salary in the months leading up to the loan, while varying slightly was likely to be around £1,600 per month and so not far away from what Moneyway was told as part of the application.

I can see the occasional ad-hoc payment being received by Ms S's partner but these were irregular and when for example funds were received from her partner these were frequently moved on to the daughter or were used to pay for other items that had been purchased. I'm satisfied that these payments weren't regular and therefore couldn't fairly be used as part of Ms S's income.

With the loan payment of £150 this left Ms S £1,450 per month to cover all of the other living costs and looking at the statements, and taking account of the direct debits costs that I can see for things such as rent, utilities, insurance, car associated costs, debtor collectors and TV subscription service – as well as other costs for food than her monthly costs were more than that. So, the loan wasn't affordable and Moneyway would've known that had it carried out a proportionate check.

In addition to this, the bank statements show that Ms S was already struggling to meet her existing creditors and payments she had to make through direct debits. In the month before the loan is approved there are seven returned direct debits – which just reinforces the view that the agreement wasn't affordable nor sustainable for her because she wasn't able to meet her existing payments when they became due.

I am therefore upholding Ms S's complaint and I've set out below what Moneyway needs to do to put things right for her.

Finally, I've considered whether Moneyway acted unfairly or unreasonably in any other way and I've thought about whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Ms S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think the lending ought to have been approved it therefore follows that Moneyway shouldn't be able to charge interest, fees or charges to the capital sum it lent. Having looked at the statement of account provided, I'm satisfied Ms S has already paid Moneyway more than the capital amount she borrowed and so I think it's fair and reasonable that any amount above this is refunded.

Moneyway should do the following;

- If applicable, then sign ownership of the car over to Ms S;
- refund anything Ms S paid above the cash price of the car of £5,175;
- apply 8% simple yearly interest on the refund, calculated from the date Ms S made the overpayments to the date of the refund†; and
- remove all adverse entries related to this agreement from Ms S's credit file.

†HM Revenue & Customs requires Moneyway to take off tax from this interest. Moneyway must give Ms S a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've outlined above, I am upholding Ms S's complaint.

Secure Trust Bank Plc trading as Moneyway should put things right for Ms S as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 August 2025.

Robert Walker
Ombudsman