

The complaint

Ms B complains that MONEYBARN NO.1 LIMITED approved a finance agreement for a vehicle that she could not afford to repay and so lent to her irresponsibly.

What happened

On 12 November 2021, Ms B agreed to purchase a car using Moneybarn finance. It was for a car costing £8,598, and with interest the total repayable was £15,282 (rounded figure). Ms B paid a deposit of £750 which was a part-exchange allowance and indicates that Ms B traded in her existing car for this one. For 59 months Ms B agreed to repay just over £246 a month. The instalments were all equal amounts. A questionnaire completed and signed by Ms B and submitted as part of her evidence indicates that her circumstances changed during the life of the agreement which led to her getting into arrears. Recently Ms B has told us that she has returned the car to Moneybarn and the agreement has ended.

After Ms B had complained, Moneybarn responded in January 2025 giving reasons why the complaint ought not to be upheld. It was referred to the Financial Ombudsman and one of our investigators considered that Moneybarn had carried out proportionate checks and so did not think the complaint should be upheld.

Ms B and her former representative have sent in additional information. The unresolved complaint was passed to me to decide. On 29 October 2025 I issued a provisional decision giving reasons why I considered the complaint should be upheld. That is duplicated here for ease of reading.

What I provisionally decided on 29 October 2025 – 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 B's complaint. Moneybarn needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Ms B 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 – suggesting the lender needed to know more about a prospective borrower's ability to repay.

Moneybarn said it verified Ms B's income, which it found out was £1,400 a month after tax. And it used ONS data for the other usual costs including, housing/rent, council tax, utilities, basic living costs, and costs of running the car. These all added up to £980. It added in a buffer of £40.

Moneybarn carried out a credit search. It has not been able to provide a copy of those actual search results, but I do have a summary. And I have Ms B's copy of her personal credit file. That showed a similar picture as to her credit position in November 2021. Moneybarn's summary tells me that it knew there had been a defaulted account a long time before Ms B

applied for this car finance. And her more recent credit information showed that she had relatively little outstanding – around £620 on revolving credit accounts. So, I can understand why Moneybarn considered that use of ONS statistics for the general expenditure likely was enough and proportionate.

However, I have two reasons to disagree with that. One is that I don't consider that a monthly declared, and verified, income of £1,400 is very much. And the second reason is that the expenditure figure it obtained was too high for the agreement to be affordable. And here, I am using Moneybarn's figures which in its I&E added up to £980 plus monthly credit costs plus a small 'buffer figure'. So that all added up to £1,061.

When I add in the cost of the car finance that would have added up to £1,307 which on an income of £1,400 is too narrow a margin (even with its own buffer of £40 added in). This car finance agreement was for five years and I consider more detailed checks ought to have been provided before offering this arrangement to Ms B.

Ms B has sent to me copies of the DWP Universal Credit (UC) assessments she received for October 2021 and November 2021. I can see that she was single, had two dependents, was on maternity leave and received money for rent as part of the UC. The UC figures accounted for any payments she received from her employer or as maternity benefits. And the Open Banking documents sent to us about Ms B's account do show those UC income figures.

I think it's clear from this that Ms B would likely have too little left over to sustainably repay the finance. So, I don't think that Moneybarn lent responsibly. I consider it needs to put things right for Ms B. I plan to uphold the complaint about the car finance.

I have seen from the Statement of Account (SOA) sent to us that Ms B had difficulty repaying right from the start – from December 2021 – and the situation did not improve. I understand that the car has been returned and the agreement has ended. But it looks likely that Ms B had paid more than half of the amount due. This is a provisional decision and as such Moneybarn has time to send me up-to-date details.

This is the end of the duplicated provisional 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.

Ms B has accepted the provisional decision and Moneybarn has not responded. But the reply date was clear and in the interests of resolution I consider it fair and reasonable to issue the final decision now.

As I have no reason to depart from the findings set out in my provisional decision then I arrive at the same outcome – I uphold the complaint.

Putting things right

As I don't think Moneybarn ought to have approved the lending, I don't think it's fair for it to be able to charge interest or charges under the agreement. But Ms B did have use of the car, so I think it's fair she pays for that use. I don't have full details but using Ms B's personal credit file it looks like a large portion of the agreement was paid down around August 2025 which suggests the car was returned around then.

But I'm not persuaded that monthly repayments of £246 a month are a fair reflection of what fair usage would be. This is because a significant proportion of those repayments went towards repaying interest.

There isn't an exact formula for working out what a fair monthly repayment would be to reflect Ms B's usage. But in deciding what's fair and reasonable I've thought about the amount of interest charged on the agreement and Ms B's likely overall usage of the car. In doing so I think a fair amount Ms B should pay is £120 for each month she had use of the car.

To settle Ms B's complaint Moneybarn should do the following:

- End the finance agreement if it has not already done so; and
- Moneybarn should calculate how much Ms B has paid in total and deduct the amount for fair usage at a rate of £120 each month she used the car. If Ms B has paid more than the fair usage figure, Moneybarn should refund any overpayments, adding 8% simple interest each year* from the date of payment to the date of settlement; and
- Moneybarn should remove any adverse information recorded on Ms B's credit file regarding the agreement.
- If there is an outstanding balance after the settlement has been calculated, Moneybarn should arrange an affordable repayment plan. And treat Ms B with forbearance and due consideration. The credit file would have to be amended once the outstanding balance has been repaid.

*HM Revenue & Customs requires Moneybarn to take off tax from this interest. It must give Ms B a certificate showing how much tax it's taken off if Ms B asks for one.

I've considered whether the relationship between Ms B and Moneybarn might have been unfair under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Ms B results in fair compensation for her in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold the complaint and I direct that MONEYBARN NO.1 LIMITED puts things right in the way that I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 10 December 2025.

Rachael Williams
Ombudsman