DRN-5707280

The complaint

Miss G complains that Moneybarn No. 1 Ltd ("Moneybarn") unfairly entered into a conditional sale agreement with her and didn't support her when she had difficulties managing it.

What happened

Miss G was provided with finance for a car in June 2023. The cash price of the car was £5,799 and the amount of credit provided was £5,710. The interest charges were £5,742.49 and the total amount payable was £11,541.49. Miss G had to pay this with an initial payment of £89 followed by 59 monthly payments of £194.11.

Miss G had difficulties repaying the finance agreement which ultimately resulted in her complaining to Moneybarn about being provided with the lending in the first place. In summary, she says Moneybarn didn't carry out enough checks before lending to her. She says she had a poor credit score at the time and a history of missed payments. Miss G also says Moneybarn didn't support her when she needed help managing the credit.

Moneybarn reviewed matters but didn't uphold the complaint. In summary, it thought it carried out an appropriate assessment of Miss G's circumstances and the credit was affordable for her. Miss G remained unhappy and brought her complaint to this service.

An Investigator here reviewed matters and thought Moneybarn ought to have asked Miss G about her actual expenditure rather than rely on statistical data. However, he thought these checks would have revealed the lending was affordable. Miss G responded and asked to take her complaint further.

Our Investigator then issued a follow-up assessment addressing Miss G's concerns about the support Moneybarn offered her when she was experiencing financial difficulties. In summary, he didn't think Moneybarn had treated Miss G unfairly in this regard.

Ultimately, an agreement hasn't been reached. So, 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.

The rules and regulations in place at the time Moneybarn entered into the agreement with Miss G required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an 'affordability assessment' or 'affordability check'.

The checks had to be 'borrower' focused. This means Moneybarn had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss G. In other words, it wasn't enough for Moneybarn to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Miss G.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Moneybarn did what it needed to before lending to Miss G.

Miss G declared that she was working part-time with a monthly income of £1,600. Moneybarn obtained a payslip and benefits statement from Miss G. Overall, it recorded that Miss G had a monthly income of around £1,933. It used external sources to understand more about Miss G's monthly non-discretionary expenditure and recorded that she had around £504 disposable income each month.

Moneybarn also completed a credit check which showed that Miss G had no outstanding County Court Judgments. However she had five defaults, the most recent of which was recorded 12 months before.

I note Moneybarn says it hasn't retained the full credit check completed, so I've reviewed the information Miss G provided about her credit picture. Having done so, this suggests Miss G may have had some recent issues on an account. With this in mind and considering the amount of credit Moneybarn was proposing to lend Miss G, in the circumstances of this particular case, I think it ought to have found out more about her actual committed non-discretionary expenditure before lending, rather than essentially relying on estimates.

I've reviewed Miss G's bank statements to understand what these further checks were likely to have shown. As our Investigator explained, Moneybarn didn't necessarily have to review Miss G's bank statements. It could have found out about her circumstances in a variety of ways. However, using bank statements is an easy way for this service to piece together what further checks would have likely revealed. Having reviewed Miss G's bank statements in the months leading up to the lending decision, I think further checks into her circumstances at the time would have revealed that the credit was likely to have been affordable for her. So, I don't think Moneybarn acted unfairly by approving the finance for Miss G.

Miss G also complains about the support Moneybarn offered her when she fell into financial difficulties. In summary, she says she was told it wasn't possible to adjust her repayment amounts and that missed payments would be added to the next payment due meaning she would have to make two payments, which she thought would worsen her position as she'd have to pay double in one go. She says she was told that her only option was to send the car back, which would incur further fees.

Miss G's direct debit bounced in November 2023. She then made a payment towards the account shortly afterwards, however this was for less than the required payment. Moneybarn contacted Miss G to let her know that the account was in arrears and asked her to make a payment or to contact it for options. The parties spoke in December 2023 and Miss G explained that she had been experiencing financial difficulties due to a change in circumstances. The parties discussed options for repaying the arrears, including a payment plan. However, Miss G didn't have time to complete an income and expenditure assessment on the phone. So, the adviser said they'd send an email to Miss G to allow her to complete the assessment form in her own time and they would place a hold on the account for around a week to allow Miss G to get back in touch. I've seen a copy of the email which was sent to Miss G, however I can't see that the information was returned to Moneybarn.

Whilst Miss G made her contractual repayments in December 2023, January 2024 and February 2024, she still hadn't recovered the arrears. Moneybarn reminded her about the overdue amount in January and February 2024 and again asked her to make a payment or to contact it for options. Later in February, the contact notes show that the parties discussed matters; Miss G said she would struggle with the payments over the next few months and requested a payment break. Moneybarn says that an income and expenditure assessment was carried out which, as I understand it, revealed that Miss G wouldn't have enough disposable income to afford further payments. Ultimately, Moneybarn advised Miss G that she could either settle the agreement or return the car.

Overall, I think Moneybarn offered forbearance as I would expect. It made Miss G aware of the arrears on the account, agreed to place a hold on the account to allow Miss G to complete an income and expenditure form, and subsequently considered her circumstances in later calls to ensure any plan implemented would be affordable. I appreciate Miss G was unhappy with the options she was provided with and says she would have liked to have been offered a payment plan. However, as I understand it, the assessment Moneybarn carried out showed that further payments under the agreement would be unsustainable for Miss G, given that she wouldn't have enough disposable income. It seems from Miss G's understanding of matters that perhaps this could have been better explained to her at the time. That being said, overall, I don't think it's unreasonable that Moneybarn didn't continue with an agreement that was likely to cause Miss G further financial difficulties. It follows that I don't think it treated her unfairly here.

Therefore, overall, I don't find that Moneybarn acted unfairly by entering into this agreement with Miss G, or considering the forbearance it offered her when she was experiencing financial difficulties. However, I would remind Moneybarn of its obligation to continue to exercise forbearance and due consideration to Miss G's current circumstances. I'd also encourage Miss G to contact Moneybarn to discuss her options moving forward, if she's not already done so.

Finally, 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 Miss G 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

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 7 October 2025.

Hana Yousef
Ombudsman