

The complaint

Mr H complains through a representative that Moneybarn No.1 Limited trading as Moneybarn ("Moneybarn") lent to him without carrying out sufficient affordability checks.

What happened

In April 2020, Moneybarn provided Mr H with a conditional sale agreement for a used car through a credit intermediary. The vehicle had a cash price of £7,475 and the full amount was financed. If Mr H made the payments in line with the agreement, he would've repaid a total of £14,458.54. The agreement was to be repaid by 59 monthly repayments of £245.06. The agreement was repaid in January 2023.

Moneybarn didn't uphold the complaint because it considered the finance agreement to be affordable. Mr H's representative then referred the complaint to the Financial Ombudsman.

The complaint was then considered by one of our investigators who also didn't uphold it. Mr H's representative didn't agree.

The complaint was passed to me, and I issued a provisional decision explaining the reasons why I was intending to uphold Mr H's complaint. Both parties were asked to provide any further submissions as soon as possible, but no later than 6 August 2025.

Mr H's representative let us know that they agreed with the provisional decision. Whereas, Moneybarn said it didn't have any further evidence to provide. But it did query the customer's employment as noted in the provisional decision. Moneybarn has also said it didn't know how much the payment arrears from some utilities were and whether a plan was put in place in order to repay them.

An extract of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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 Mr H's complaint. Having carefully thought about everything I've been provided with; I'm intending to uphold Mr H's complaint. I'd like to explain why in a little more detail.

Moneybarn needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr H 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.

Moneybarn as part of the application took details of Mr H's monthly income which he declared came to be £2,100. However, Moneybarn didn't just rely on what Mr H had declared and instead it gathered payslips from February and March 2020. This showed his income was £2,237 and so it was right and fair to use this amount for the affordability assessment. The check into Mr H's income was proportionate.

Moneybarn then did a credit search and it used those results as well as statistical data to work out what Mr H's likely outgoings were each month. Overall, it worked out that Mr H's likely monthly outgoings came to around £982.75. This left around £1,254 per month in disposable income in which to afford the payment to Moneybarn. The agreement looked affordable.

Moneybarn has also said it carried out a credit search and I've reviewed the summary it provided to see whether it gave any indication that the finance would be either unaffordable or unsustainable for Mr H.

The credit check summary results superficially didn't appear to be of too much of a concern to Moneybarn. It knew that Mr H's current total outstanding debt was £3,555 on active accounts and he didn't have a mortgage, or any active payday or home credit loans.

But there were signs that perhaps Mr H was having financial difficulties. He had 9 defaults recorded on his credit file – the most recent being 20 months before the loan application. Mr G had repaid just over £2,000 towards these balances but still he owed the defaulted creditors over £10,000.

But Mr G was showing signs of having current difficulties because Moneybarn was told that a utility account was currently five months in arrears. This would've shown Moneybarn that in the period leading up to the credit being approved Mr H had difficulties to the extent that he was now in arrears with a utility provider – which may have demonstrated he wasn't able to keep on top of his repayments.

While, I may have been prepared to accept the defaults were historic – I do have to weigh this up against the fact Mr H had 9 of them and hadn't made too much headway into repaying what he owed. And he was showing signs of having problems with existing commitments.

In those circumstances I really don't think it was fair nor proportionate for Moneybarn to have relied on statistical data when there was the amount of impaired credit history. So, before lending Moneybarn ought to have taken a closer look at Mr H's actual outgoings before deciding whether he had sufficient disposable income to afford the loan repayment.

Moneybarn could've gone about checking Mr H's actual outgoings a number of ways. It could've simply asked him what his actual living costs were, asked for evidence from Mr H about his bills or as I've done, it could've reviewed his copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Mr H's regular living costs were likely to have been like at the time – I've not done this because I think Moneybarn ought to have requested this information as part of underwriting this loan. After all Moneybarn already had an idea of Mr H's income and his credit commitments.

I accept that had Moneybarn conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Moneybarn conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to.

The bank statement show mortgage payments of around £450, council tax of around £210, utilities and mobile phone payments of around £300, debt payments of £20, the use of 'buy now pay later' of

around £60 per month, there were a number of film and music subscription services, around £100 per month for petrol and there are food / supermarket costs as well. Overall, before the loan payment to Moneybarn was considered Mr H's outgoings were on average between £1,800 and £1,900 per month.

So, with the Moneybarn loan which cost £245.06 per month meant his outgoings came to around £2,145 per month – this left less anything between £100 and £180 per month to cover any other costs. But importantly, in the above figures I've not included road tax or insurance and I know from Mr H's credit file that he ought to have been making some form of payment to his gas and electric account.

I don't think I can reasonably concluded, that the Moneybarn payments would be affordable when Mr H was already struggling to pay his gas and electric bill and the cost of the loan only appeared affordable because he wasn't making those payments. That just wouldn't be reasonable. So, taking into account what I've seen in the statements I've concluded that had Moneybarn conducted further checks into Mr H's living costs it would not have lent the loan because the agreement would've been shown to be unaffordable. I am therefore proposing to uphold Mr H's complaint.

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.

To start with, I should point out that these findings should be read in conjunction with the provisional decision that can be found above.

Firstly, having taken another look at the bank statements, I do agree that Mr H had started a new job and received a salary from a different company then he had done so in February or March 2020. But the amount of income Mr H received was broadly in line with the affordability assessment carried out by Moneybarn and as I explained in the provisional decision, this figure could be relied upon.

Looking at the arrears Mr H had on his utilities. The bank statements show that no payments were being made to the utility accounts and this was confirmed by the credit check results received by Moneybarn as part of the application. These showed there were arrears on a utility account – which Moneybarn will know is a priority debt. Indeed, this is backed up by a review of Mr H's personal credit file that shows arrears on a utility account at this time.

The credit file information Mr H has provided showed those arrears extended for some time, with the utility account only being brought up to date in January 2021, before Mr H had further difficulties with the utility accounts and they entered into arrears again from March 2022. So, the difficulties Mr H had in paying his gas and electricity existed for some time.

I appreciate that Moneybarn understandably wants to know exactly how much Mr H was due to pay his utility company each month – but that information isn't contained within the credit file data Mr H provided nor in his bank statements. Which isn't surprising considering he wasn't paying it.

In my view, given what else I've seen in the statements about Mr H's outgoings, any modest amount of utility payment would've made this agreement unaffordable. And so, I don't think I need to explore exactly the amount Mr H had to pay each month towards his bills in order to come to a fair outcome here.

So having thought about everything the impaired credit history ought to have been sufficient to have prompted Moneybarn to conduct further checks into Mr H's circumstances. And had

Moneybarn carried out further checks it would've likely discovered Mr H didn't have sufficient funds to afford the loan payment bearing in mind the figures I included in the provisional decision didn't include, insurances, petrol, food and the utility payments Mr H ought to have been making.

I also think it's arguably, that given the priority nature of the utility accounts that perhaps Moneybarn ought to have realised the payments wouldn't have been sustainable in any event regardless of what further checks may have shown – bearing in mind in the not too distant past Mr H had defaulted on a number of accounts and was only slowing repaying what he owed.

I am therefore upholding the complaint and I've set out below what Moneybarn needs to do in order to put things right for Mr H.

I've also considered 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 Mr H in the circumstances of his complaint. I'm satisfied, based on what I've seen that no additional award would be appropriate in this case.

Putting things right

Mr H made use of the credit facility Moneybarn provided, and he purchased a car with this. So, it's fair that he pays the car price. However, as Moneybarn shouldn't have approved his loan application, I don't think it's fair that he should pay any interest and charges. So, Moneybarn should refund these, with interest and I've set out below what it needs to do.

- refund anything Mr H paid above the cash price of the car of £7,475;
- apply 8% simple yearly interest on the refund, calculated from the date Mr H made the overpayments to the date of the refund†; and
- remove any adverse entries relating to this agreement from Mr H's credit file.

†HM Revenue & Customs requires Moneybarn to take off tax from this interest. Moneybarn must give Mr H a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in the provisional decision, I'm upholding Mr H's complaint.

Moneybarn No.1 Limited trading as Moneybarn should put things right for Mr H as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 September 2025.

Robert Walker
Ombudsman