

The complaint

Mr P complains that Moneybarn No. 1 Limited (“Moneybarn”) unfairly entered into a conditional sale agreement with him.

Mr P is supported in bringing this matter by a representative. But, for ease, I’ll refer to actions and submissions as being those of Mr P himself.

What happened

Mr P was provided with finance for a car in February 2021 with a term of 50 months. The cash price of the car was £8,471 and the amount of credit provided was £7,353. The interest charges were £6,348.38 and the total amount payable was £14,819.38. Mr P was required to make an advance payment of £1,118 followed by 49 monthly payments of £279.62.

In summary, Mr P says the lending was unaffordable and worsened a financial situation which was already poor. Moneybarn reviewed matters but didn’t uphold the complaint. In summary, it thought Mr P’s circumstances were fairly assessed and the amount offered was affordable. Mr P remained unhappy and brought his complaint to this service.

An Investigator here reviewed matters and thought that Moneybarn shouldn’t have relied on statistical data where it had reasonable cause to suspect that it was unlikely to be representative of Mr P’s circumstances. However, in saying this, they also thought Moneybarn had enough to know that it shouldn’t have lent and recommended the complaint be upheld. They said this because Mr P had taken out several payday and home credit loans in the months leading up to the lending decision and was in arrears on a utility bill.

Mr P accepted the opinion, but Moneybarn disagreed with it. In summary, it said Mr P’s ongoing difficulties with his finances hadn’t been evidenced; the inaccuracy of its statistical data used in its lending decision hadn’t been evidenced; details of the payday and home credit loans hadn’t been investigated, including whether they remained active; the utility bill arrears hadn’t been investigated; and its checks revealed that Mr P had sufficient disposable income to afford the lending.

As an agreement couldn’t be reached, 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.

I have read and taken into account all of the information provided by both parties in reaching my decision. If I’ve not reflected something that’s been said it’s not because I didn’t see it, it’s because I didn’t deem it relevant to the crux of the complaint. This isn’t intended as a discourtesy to either party but instead reflects my informal role in deciding what a fair and reasonable outcome is.

The rules and regulations in place at the time Moneybarn entered into the agreement with Mr P required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he 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 Mr P. 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 Mr P.

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 Mr P.

Mr P declared a net monthly income of £2,095 which Moneybarn says it verified. Moneybarn used external sources to understand more about Mr P's expenditure and recorded that he had around £574 disposable income each month which it thought was sufficient to afford the lending.

Moneybarn also carried out a credit check which showed that Mr P had three defaults, the most recent of which was recorded 21 months before the lending. The credit check also revealed that Mr P was having current issues on a utilities account and had opened eight home credit accounts in the last three months and five payday loans in the last six months.

It's important to note that whilst Moneybarn needed to understand whether the lending was affordable on a pounds and pence basis, it also needed to establish whether further lending was sustainable for Mr P. As our Investigator noted, Moneybarn's own checks suggested that Mr P was having issues on an existing utilities account at the time the information was gathered. Additionally, the checks revealed that Mr P had taken out several home credit and payday loans in the months leading up to this lending decision, showing that he was borrowing regularly and in a cycle of lending.

I note Moneybarn says details of these loans hadn't been investigated, such as whether any were active around one to two months before the lending decision. However, its own checks evidenced that some of these loans were taken out within three months before the lending and so I think this was indicative of Mr P's position at the time. As I understand it, Moneybarn's checks also suggest that Mr P still had balances on both payday lending and home credit at the point it carried out a credit check.

I've also considered that Moneybarn says further details in relation to the arrears on the utilities account haven't been obtained. However, I'm not persuaded this is necessary in the circumstances of this case. I say this because the information about the arrears is visible alongside the number of home credit and payday loans Mr P had recently taken out. And I don't think it was reasonable for Moneybarn to provide further lending to Mr P in circumstances where the information it gathered evidenced this was likely to be unsustainable for him. Therefore, considering all the information in the round, I think Moneybarn had enough to indicate that further lending was unlikely to be sustainable for Mr P. It follows that I don't think it should have entered into the agreement with him.

In reaching my conclusions, I've also considered whether the lending relationship between Mr P and Moneybarn might have been unfair to Mr P under Section 140A of the

Consumer Credit Act 1974. However, I'm satisfied that what I direct Moneybarn to do in the section below results in fair compensation for Mr P given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

As our Investigator outlined, there isn't an exact formula for working out what a fair monthly repayment would be to reflect Mr P's usage. But in deciding what's fair and reasonable I've considered the amount of interest charged on the agreement, Mr P's likely overall usage of the car and what his costs to stay mobile would likely have been if he didn't have this car. Having done so I think a fair amount Mr P should pay is £165 for each month he had use of the car.

To settle Mr P's complaint, Moneybarn should do the following:

- Refund the deposit, adding 8% simple interest per year* from the date of payment to the date of settlement.
- Calculate how much Mr P has paid in total and deduct £165 for each month he had the car for, for fair usage. If Mr P has paid more than the fair usage figure, Moneybarn should refund any overpayments, adding 8% simple interest per year* from the date of payment to the date of settlement.
- Remove any adverse information recorded on Mr P's credit file regarding the agreement.
- If there are any arrears after the settlement has been calculated, Moneybarn should arrange an affordable repayment plan and treat Mr P with forbearance and due consideration.

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

My final decision

My final decision is that I uphold this complaint, and direct Moneybarn No. 1 Limited to settle this complaint in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 January 2026.

Hana Yousef
Ombudsman