DRN-5767068

The complaint

Mr N complains that Moneybarn No. 1 Limited irresponsibly gave him a conditional sale agreement he couldn't afford to repay.

What happened

In January 2021, Mr N acquired a used car financed by a conditional sale agreement from Moneybarn. The cash price of the car was £6,478. Mr N paid a deposit of £500 and the remainder was to be repaid through the conditional sale agreement. Mr N was required to pay 59 monthly repayments of £198.77.

In November 2024, Mr N complained that the agreement had been unaffordable from the outset and should not have been given to him. He said he had been in an IVA at the time he applied for the finance and was relying on payday lending to meet his essential expenditure.

Moneybarn didn't uphold Mr N's complaint. It said it had completed appropriate affordability checks before lending and these checks did not reveal any affordability concerns.

Our investigator didn't recommend the complaint be upheld. He didn't think Moneybarn's affordability checks went far enough. However, he wasn't persuaded that more thorough checks would most likely have revealed any affordability concerns either and he therefore didn't think Moneybarn had made an unfair lending decision.

Mr N didn't agree, so the complaint has been passed to me 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.

Before granting credit to Mr N, the regulator's rules and guidance required Moneybarn to carry out checks to ensure the lending was likely to be affordable. There isn't a set list of checks that had to be completed in each case, instead Moneybarn had to ensure that what checks it did carry out were proportionate in the circumstances. In deciding what would be proportionate, it needed to take into account things such as (but not limited to): the amount borrowed, the size of any regular repayments, the total repayable, the cost and Mr N's circumstances.

As part of the application Mr N declared he was working full time and earning around £2,000 per month. Moneybarn says it verified this using information from a credit reference agency. It says it also completed a credit check which showed that Mr N was in an IVA and owed around £700 in other unsecured credit commitments. It says it also estimated Mr N's likely essential living costs using statistical data. Lastly, it obtained confirmation from Mr N's IVA practitioner that it had no objection to Mr N taking out the conditional sale agreement on the proposed terms.

I can understand why confirmation from the IVA practitioner may have given Moneybarn a degree of confidence as to the affordability of the credit agreement. After all, the practitioner ought to have been aware of what Mr N could reasonably afford and the impact taking out further credit might have had on his ability to maintain payments towards his IVA. However, despite this, I don't think Moneybarn's decision to use statistical data to estimate Mr N's expenditure was reasonable or proportionate in this specific case.

Statistical data can be an acceptable way for Moneybarn to estimate expenditure in some cases when making a lending decision. However, statistical data is generally designed to provide details of average expenditure. Given Mr N was in an IVA and had been for quite a significant period of time, his financial circumstances, and therefore his committed expenditure was likely to be far removed from what might be considered 'average'. Taking all of this into account I think it would have been reasonable and proportionate for Moneybarn to have established Mr N's actual expenditure rather than relying on an estimate. I don't therefore think Moneybarn's checks were proportionate in this specific case.

Just because I don't think Moneybarn's affordability checks went far enough, it doesn't automatically mean the complaint should be upheld. I have to consider what loss, if any, was caused to Mr N by Moneybarn's failure to carry out proportionate affordability checks. In other words, what would Moneybarn have likely discovered had it carried out adequate affordability checks and should that have likely made any difference to the lending decision it made.

Mr N has provided bank statements for two of his current accounts for the months leading up to the lending decision. In the absence of any additional checks Moneybarn did to establish Mr N's actual expenditure, I think I can place significant weight on the information contained in the bank statements as to what it would likely have discovered.

For clarity, I'm not suggesting Moneybarn were required to review Mr N's bank statements before lending to him. I think in this specific case, simply asking him to declare essential expenditure would have been sufficient. After all, the IVA practitioner had already raised no objection to the monthly repayment and the credit check didn't reveal a significant amount of unsecured credit commitments.

Based on what I've seen from Mr N's statements, it seems his income was broadly what he had declared on his application. This income appears to have been more than sufficient to cover his essential household and living expenditure, with sufficient disposable income left over to meet the repayments towards the conditional sale agreement and have money left for emergency expenditure. He also received a regular contribution from his partner towards household costs, reducing his essential costs further.

From what I've seen, I'm not persuaded that more detailed questioning of Mr N's essential expenditure by Moneybarn would have revealed any affordability concerns. I therefore don't think it made an unfair lending decision.

I note Mr N was borrowing from payday loans in the months leading up to the lending decision. However, Moneybarn's credit checks didn't reveal any recent payday lending, this might be because those providers did not report to the specific credit reference agency Moneybarn used to obtain its data. However, I can't reasonably say Moneybarn acted unfairly when it didn't know this information and I don't think it could reasonably have discovered it either. It carried out a credit check in good faith, and this did not reveal the additional borrowing Mr N had. As Mr N didn't disclose this borrowing either to Moneybarn, I can't fairly say it should have known about it.

Mr N says he was also gambling at the time, and this was contributing to his financial difficulties. I don't disagree that Mr N was in financial difficulty at the time, I've seen the gambling and payday lending on his statements. However, I don't think that proportionate affordability checks would more likely than not have revealed this fact to Moneybarn.

This is because I don't think Moneybarn was required in the circumstances of this specific case, in completing proportionate affordability checks, to manually review Mr N's bank statements before lending to him. Unless it did this, I don't see how it could reasonably have discovered Mr N's true financial circumstances. Just because the loan may have in reality been unaffordable to Mr N, it doesn't automatically mean Moneybarn acted unfairly just by lending to him. To uphold his complaint, I also need to be persuaded that Moneybarn either knew or ought reasonably to have known (through proportionate checks) that the loan was unaffordable before lending to him. For the reasons I've explained, I don't think Moneybarn did know, or could reasonably have known even if it had carried out proportionate checks. This means I don't think Moneybarn acted unfairly when lending to Mr N.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 24 October 2025.

Tero Hiltunen
Ombudsman