

Complaint

Miss S complains that Moneybarn No.1 Ltd (trading as “Moneybarn”) unfairly entered into a conditional-sale agreement with her. She’s said the agreement was unaffordable for her and therefore she shouldn’t have been accepted for it.

Background

In May 2017, Moneybarn provided Miss S with finance for a used car. The cash price of the vehicle was £4,826.00. Miss S paid a deposit of £50 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £4,776.00 she required. The loan had interest, fees and total charges of £5,374.95 and the total amount to be repaid of £10,150.95 (which doesn’t include Miss S’ deposit) was due to be repaid in 59 monthly instalments of £172.05.

Miss S’ complaint was considered by one of our investigators. He didn’t think that Moneybarn had done anything wrong or treated Miss S unfairly. So he didn’t recommend that Miss S’ complaint should be upheld.

Miss S disagreed with our investigator’s assessment and asked for her complaint to be passed to an ombudsman for a final decision.

My findings

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 Miss S’ complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss 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 Miss S could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Moneybarn carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 says it agreed to this application after it completed an income and expenditure assessment on Miss S. During this assessment, Miss S provided details of her monthly income which it cross checked against information from credit reference agencies on the amount of funds that went into her main bank account each month. Moneybarn says it also carried out credit searches on Miss S which showed that she had defaulted accounts recorded against her.

Nonetheless, in Moneybarn's view, when reasonable repayments to the amount Miss S already owed plus a reasonable amount for Miss S' living expenses were deducted from her monthly income, enough was left over for her to make the monthly payments for this agreement. On the other hand, Miss S says she was already struggling at the time and that these payments were unaffordable.

I've thought about what Miss S and Moneybarn have said.

The first thing for me to say is that bearing in mind the term of the agreement, its total cost and Miss S' previous difficulties with credit, I'm satisfied that Moneybarn needed to take further steps to ascertain Miss S' actual living costs, rather than assuming Miss S' living expenses in order for its checks to have been proportionate here. Moneybarn did not do this, so I'm satisfied that its checks before lending in this instance weren't proportionate.

At this point, given I've agreed that the checks weren't proportionate, I think that it might be helpful for me to explain that my conclusion that the Moneybarn didn't do enough to establish whether the repayments were affordable, doesn't, on its own, meant that Miss S' complaint should be upheld.

This is because we would usually only go on to uphold a complaint in circumstances where we are able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable. I therefore considered whether that is the case here.

As I've explained, given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Miss S' regular living expenses as well as her income and existing credit commitments.

However, the information Miss S has provided me with doesn't show me that her living expenses were more than the amount of the estimates Moneybarn used. So I'm not in a position to say that Moneybarn doing more her would more likely than not have led to it reaching a different decision to lend in this instance.

I'm also mindful that Miss S' most recent submissions are being made in support of a claim for compensation and at the time of the application at least, Miss S would have wanted the car. So any explanations she would likely have provided to Moneybarn at the time are more likely to have been with a view to persuading it to lend her, whereas now she's trying to show that the agreement was unaffordable.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Miss S might have been unfair to Miss S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Moneybarn irresponsibly lent to Miss S or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I think that Moneybarn ought to have found out a bit more about Miss S before entering into this conditional-sale agreement with her, I'm satisfied that Moneybarn doing this won't have prevented it from providing these funds, or entering into this agreement with her. So I'm not upholding this complaint.

I appreciate that this will be very disappointing for Miss S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 December 2025.

Jeshen Narayanan
Ombudsman