

The complaint

Mr H says MONEYBARN NO.1 LIMITED, ('Moneybarn'), irresponsibly lent to him when he took out a conditional sale agreement with it. He says that it didn't take reasonable steps to ensure the agreement was affordable, and it didn't properly consider his expenditure when arranging the finance.

Mr H's complaint has been brought by a representative and I've referred to Mr H and the representatives' comments as being from Mr H for ease of reading.

What happened

This complaint is about a conditional sale agreement that Mr H took out to purchase a car in January 2019. The vehicle had a retail price of £8,465 and Mr H financed all of this. The agreement was to be repaid through 59 monthly instalments of £265.68. If Mr H made repayments in line with the credit agreement, he would need to repay a total of £15,672.12. Mr H settled the agreement in November 2022 and took ownership of the car.

Mr H complained to Moneybarn saying that he had poor credit when he took the finance and he was in an Individual Voluntary Arrangement ('IVA') due to financial problems he'd had in the past. He said that Moneybarn failing to identify this made his financial situation worse.

Moneybarn considered this complaint, and it didn't uphold it. It thought that the finance was assessed fairly, and the amount offered to Mr H was affordable. Mr H didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr H's complaint. She thought Moneybarn did proportionate checks, and these showed the loan was affordable.

Mr H didn't agree with the Investigator. He said it wasn't clear what information Moneybarn had used to assess his circumstances. It doesn't seem to have verified his income or looked at his expenditure at all.

Mr H went on to provide his bank statements for the few months before this lending. Our Investigator didn't think that Moneybarn would have needed to consider bank statements before approving the finance, and so these didn't change his opinion about the complaint.

Mr H still didn't agree. As this was the case, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the credit in a sustainable way?
 - a. if so, did Moneybarn make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr H could sustainably repay the borrowing?
2. Did Moneybarn act unfairly or unreasonably in some other way?

And, if I determine that Moneybarn didn't act fairly and reasonably when considering Mr H's application, I'll also consider what I think is a fair way to put things right.

Did Moneybarn complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Moneybarn has explained that, as part of the application process, Mr H told it that he was self-employed and earned £2,000 a month after tax. He said he was living with his parents.

Moneybarn said it verified Mr H's income using a tool provided by a credit reference agency. It's not provided the data behind this, but this is a standard tool used by lenders like Moneybarn and I know that Moneybarn does use this. I think it's reasonable to say that Moneybarn verified Mr H's income.

Moneybarn found out that Mr H had active credit balances of about £1,250 which were costing him about £65 a month. Moneybarn then used Office of National Statistics ('ONS') data to estimate Mr H's living costs. There wasn't a housing cost amount, but it worked out that his living costs would be just over £500 a month.

It added a buffer of about £65 to his expenditures which all meant his total outgoings were just under £650 (living costs plus credit expenditures plus the buffer). Taking this from his income it thought he had spare money of about £1,350 a month, which was enough to pay the car finance.

Moneybarn received information that showed Mr H had some credit problems in the past. It found out that he defaulted on about £8,500 of credit 19 months before this lending. The balance of these defaults had reduced to about £3,500. There were no recent repayment problems. And Moneybarn says there was no insolvency information recorded on his credit file at the time.

Having considered all the information that Moneybarn gathered, I agree that the checks it made before lending look to be proportionate. And these proportionate checks showed that the lending was likely to be affordable.

Mr H, when he completed his complaint form to bring his complaint to the Financial Ombudsman, said that his circumstances were very different from the information recorded by Moneybarn. He said that he was in an IVA and that he was living with his partner and renting a property.

But it's not entirely clear what period some of this relates too, and the IVA could be from the defaulted credit that Moneybarn already knew about and was now repaying. As I've said above there wasn't any insolvency details in the information Moneybarn received from the credit reference agencies. And I've not been able to find a record of an IVA relating to Mr H. So, having thought about what Mr H has said about this, I don't think there is enough to change what I think about the checks Moneybarn did, and what they showed.

Also, on his complaint form to the Financial Ombudsman Service, Mr H has raised some issues about how his account was handled during the Covid 19 pandemic. I can't see that he has made this complaint to Moneybarn and so he would need to do this before any of these issues can be considered here.

Did Moneybarn act unfairly or unreasonably in some other way?

I have 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 it lent irresponsibly to Mr H or otherwise treated him 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.

I haven't seen anything to make me think Moneybarn acted unfairly or unreasonably in some other way in respect of the sale of the finance.

My final decision

For the reasons set out above, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 December 2025.

Andy Burlinson
Ombudsman