

## **The complaint**

Miss N complains that Moneybarn No. 1 Limited trading as Moneybarn irresponsibly gave her a conditional sale agreement she couldn't afford to repay.

## **What happened**

In September 2020, Miss N acquired a used car paid for by a conditional sale agreement from Moneybarn. The cash price of the car was £5,920. Miss N paid a deposit of £363 and was required to pay an additional 46 monthly repayments of £188.04.

In September 2023, Miss N complained to Moneybarn to say that the agreement had been unaffordable from the outset and it should not have been given to her. Moneybarn didn't agree it had acted unfairly in lending to Miss N.

Our investigator didn't recommend the complaint be upheld. Although she didn't think Moneybarn's affordability checks had been thorough enough, she didn't think more robust checks would likely have revealed any affordability concerns. She therefore didn't think Moneybarn had made an unfair lending decision.

Miss 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.

The regulator's rules and guidance in place at the time of the lending decision required Moneybarn to complete checks to ensure the lending was likely to be affordable to Miss N. The rules required the checks to be proportionate to the specific circumstances of the lending decision. In deciding what would be proportionate, Moneybarn needed to take into account things such as (but not limited to): the amount borrowed, the term, the size of the regular repayments, the cost of borrowing and Miss N's circumstances.

Moneybarn says that as part of the application Miss N declared she was working full time and earning a monthly income of £2,500. Moneybarn says it used credit reference agency data to verify this figure and this returned no concerns about what Miss N had declared. It says it also estimated her likely living expenditure using statistical data.

It says it also completed a credit check which showed that Miss N had one revolving credit facility with a balance of £299 and a loan of £8,891 (also with Moneybarn, but which was to be settled and replaced by this new conditional sale agreement). Moneybarn says it could also see that Miss N had 5 historic defaulted accounts, 2 county court judgements and she was in an IVA. I can see that it asked Miss N to provide a letter from her IVA practitioner to confirm the practitioner was happy for Miss N to enter into this agreement before accepting her application. The IVA practitioner confirmed they had no objection to Miss N taking out the conditional sale agreement.

Moneybarn says its checks indicated that Miss N had around £1,000 in disposable income each month and, given everything else it had seen, it was therefore satisfied that the agreement would be affordable to her.

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 Miss N could reasonably afford and the impact of taking out further credit might have on her ability to maintain payments towards her IVA. However, this on its own wouldn't be sufficient to say the agreement was likely to be affordable to Miss N.

The fact Miss N was in an IVA, meaning she had been unable to repay her credit commitments in the past and was therefore in a formal insolvency arrangement to pay off those debts, ought to have alerted Moneybarn to the possibility that it was unlikely Miss N had over £1,000 in disposable income each month.

However, apart from the IVA, Miss N appeared to only have one credit card with a low balance (and low credit limit). I can see she had been approved for a second credit card a few weeks before her Moneybarn application, but given the timing of it, this is likely why it wasn't visible on Moneybarn's checks. In any event, her existing credit commitments were limited.

I don't think it was reasonable for Moneybarn to rely on statistical data to estimate Miss N's likely living expenditure. Clearly, Miss N's circumstances were unlikely to be typical of the 'average' consumer (for which statistical data generally caters for). And as Miss N owed over £30,000 to her IVA, I think it would have been reasonable and proportionate for Moneybarn to have done more to establish Miss N's actual expenditure, rather than relying on an estimate.

Just because I think Moneybarn's affordability checks didn't go far enough, it doesn't automatically mean the complaint should be upheld. I've therefore thought about what Moneybarn would likely have discovered if it had completed reasonable and proportionate affordability checks as it should have. And, had it done so, whether that ought to have likely led it to a different lending decision.

Miss N has provided copies of her bank statements from the months leading up to the lending decision. I've seen statements for both a sole current account and one she held jointly with her partner at the time. I've seen Miss N also held a third current account at the time for which we've asked to see statements for, but these have not been provided.

In the absence of any further detailed checks Moneybarn did, I think I can place significant weight on the information contained in the bank statements as to what Moneybarn would likely have discovered had it carried out proportionate affordability checks. For clarity, I'm not suggesting Moneybarn necessarily needed to request to see bank statements before lending, potentially just asking Miss N to declare her expenditure may have been sufficient (depending on what she disclosed). But for completeness, I don't think it makes any material difference to the overall outcome I've reached whether Moneybarn had seen the statements or not. I'll explain why.

Having reviewed Miss N's statements, I've not seen anything to persuade me that she had insufficient disposable income to be able to comfortably afford the monthly repayments towards the conditional sale agreement. It seems Miss N's income exceeded the figure she declared to Moneybarn in some months and she was also transferring regular amounts to herself from another current account that I've not had sight of.

The regular committed expenditure I can see from the statements that have been provided appear to be substantially lower than her income. While that expenditure is higher than what Moneybarn had estimated, it still appears she had more than enough income to cover those outgoings and the new conditional sale agreement and still have money left over for emergencies and other unexpected costs. Further, it appears her partner at the time was also contributing to some of the joint household expenditure by making transfers from his own personal account.

The account statements I've seen didn't reveal any signs of potential financial difficulty. It seems Miss N and her partner were regularly transferring money between accounts as not all of their individual and joint expenditure was paid out of just one account. However, the accounts remained consistently in a credit balance (except for a couple of occasions where Miss N's personal account was overdrawn by just under £15 for around a day) and there was no clear indication that Miss N was struggling to meet her essential living costs and commitments.

I think had Moneybarn carried out more thorough affordability checks, and including having sight of the bank statements Miss N has now shared, I don't think it ought to have led it to making a different lending decision. While I accept Miss N did go on to struggle with the repayments after entering into the conditional sale agreement, I'm not persuaded more detailed checks ought reasonably to have revealed that possibility to Moneybarn. I therefore don't think it made an unfair lending decision.

I note Miss N has said that her circumstances changed shortly after entering into the conditional sale agreement. She says that Moneybarn ought to have done more before accepting her application to ensure the repayments would continue to be sustainable throughout the life of the credit agreement. However, I've not seen anything to persuade me that Miss N made Moneybarn aware of any impending changes to her circumstances.

Further, Moneybarn approached Miss N's IVA practitioner concerning the proposed monthly repayments and the practitioner made no objection to her entering the agreement. This suggests to me that Miss N didn't reveal any impending personal changes to the IVA practitioner that might impact her ability to repay credit. So, I've not seen anything to persuade me that Moneybarn ought to have been on notice of any potential changes in Miss N's circumstances soon after entering the agreement. I don't therefore consider it acted unfairly when lending to her.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Miss N might have been unfair to Miss N 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 N 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.

### **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 Miss N to accept or reject my decision before 15 October 2025.

Tero Hiltunen

**Ombudsman**