

The complaint

Mr S complains Moneybarn No.1 Limited (Moneybarn) irresponsibly lent because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable.

What happened

Mr S entered into a conditional sale agreement with Moneybarn in order to acquire a used car on 23 September 2017. The cash price of the car was £7,270 and Mr S paid a deposit of £100. The total amount payable was £14,402.78. The duration of the agreement was 60 months, and Mr S was to make 59 equal monthly repayments of £242.42.

Mr S is represented in his complaint but for ease of reading, I'll simply refer to Mr S throughout my decision. Mr S complained to Moneybarn about the lending decision on 22 May 2024. He felt the checks hadn't been proportionate and the information on his credit file showed he had struggled to service existing credit commitments. Additionally, he said he had a low income and wouldn't be able to repay the credit alongside other financial demands.

Mr S also complained about commission, but this is being dealt with separately and is not the subject of this decision.

Moneybarn responded to the complaint about irresponsible lending on 4 June 2024. It stated the checks it completed had been appropriate and it felt the lending decision had been a fair one based on the information obtained.

Mr S remained unhappy and asked our service to investigate. Moneybarn have consented to our service considering the complaint. Our Investigator issued a view explaining why she wasn't satisfied the checks had been reasonable and proportionate. But she went on to explain why she felt such checks, had they been conducted, were likely to have shown the agreement was affordable. She didn't think the complaint should be upheld.

However, Mr S didn't agree with our investigator's findings. This is because Mr S had another account and although statements had been requested, they'd not been provided by the bank. Our Investigator provided additional time. However, Mr S made a complaint with the Information Commissioner's Office (ICO) and has not yet had a response.

As Mr S didn't agree, the complaint 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.

Our approach to complaints about irresponsible lending is set out on our website. In summary, there are key questions I need to consider in order to decide what's fair and reasonable. These are:

1. Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mr S was in a position to sustainably afford the repayments?
 - If so, did it make a fair lending decision?
 - If not, what would reasonable and proportionate checks have shown at the time?
2. Did Moneybarn act unfairly or unreasonably towards Mr S in some other way?

Moneybarn had to carry out reasonable and proportionate checks to satisfy itself that Mr S would be able to repay the credit sustainably. It's not about Moneybarn assessing the likelihood of being repaid, but it had to consider the impacts of the repayment on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mr S was in a position to sustainably afford the repayments?

Moneybarn verified Mr S's income as £2,006.26 per month using payslips provided by Mr S. It's not clear from the information provided what other information Mr S might have declared about his circumstances at the time.

It also completed a credit search. However, it hasn't retained a copy of the credit search and can only provide a summary. Mr S has also provided a copy of his credit file but the information about his credit commitments leading up to the lending decision is limited given the time which has now passed. Moneybarn's summary showed Mr S had a revolving credit balance of £664, the highest utilisation had been 94% and he had one cash advance in the last three months.

Additionally, he had two county court judgments (CCJs) which had been recorded 17 months before the agreement. Moneybarn has said one of these CCJs had been satisfied. He also had nine defaulted accounts with a significant outstanding balance. The worst current status on active credit was two but there is no further information here. The information shows Mr S had previously had financial difficulty and that he'd missed payments on an active account. So, I think this ought to have prompted more thorough checks.

It's not clear to me how Moneybarn assessed Mr S's expenditure. In the final response it said it gave reasonable consideration and accounted for non-discretionary expenditure. I haven't been given sufficient evidence to demonstrate exactly what it did here. Therefore, in the circumstances of this complaint I can't say the checks were reasonable and proportionate.

I'm also mindful Mr S had adverse information on his credit file which ought to have prompted more thorough affordability checks. I don't think it was reasonable to rely on statistical data in the circumstances. I've also thought about the size and duration of the loan, the total amount payable and the size of the monthly repayments. Having done so, I think Moneybarn ought to have obtained information about Mr S's specific expenditure.

Would reasonable and proportionate checks likely have shown Mr S could sustainably afford the repayments?

Although I don't think the checks carried out were reasonable and proportionate here, it doesn't automatically mean the complaint should be upheld. I must now consider what I think

reasonable and proportionate checks were likely to have shown. Mr S has provided bank statements which cover a two-month period leading up to the lending decision. I don't think Moneybarn needed to go as far as to obtain bank statements. However, I'm satisfied the statements give a good indication of what was likely to have been discovered had Moneybarn carried out further checks (such as asking Mr S about his essential spend).

I acknowledge Mr S wanted further time in order to have his complaint considered by the ICO and to be able to provide additional statements. However, I'm satisfied a reasonable amount of time has now passed. I'm also mindful of the amount of time which has passed since the original lending decision and how this might affect the availability of the statements. In any event, I'm satisfied I can fairly reach a decision based on the evidence I have seen. This is because I think the information I've seen demonstrates what reasonable and proportionate checks were likely to have shown at the time.

Moneybarn verified Mr S's income as £2,006 based on payslips. I note Mr S had a joint account with his partner who also seems to have been contributing to the household commitments. Additionally, child tax credits and child benefit were paid into the account. As a starting point, I've used the income as verified by Moneybarn. However, I'll come back to the additional income below.

Having reviewed the statements, I'm satisfied reasonable and proportionate checks were likely to have shown the committed expenditure to be around £1,123. This included expenditure such as food, credit commitments, rent and so on. Based on the verified income of £2,006, there would be £883 remaining after these commitments. I'm satisfied this is sufficient to demonstrate Mr S could sustainably afford the repayments of £242.42.

Having reviewed the statements, I can see Mr S transferred money into other accounts, and Mr S hasn't been able to obtain the statements despite his efforts. So, I've thought about the information I do have. Having reviewed the transfers, I can see they varied in size and frequency and were also made into different accounts. For these reasons, I don't think the transfers were all likely to be for non-discretionary spend.

Nevertheless, I do want to assure Mr S I've thought about the transfers. Having done so, I'm satisfied they don't change the overall outcome of my decision. I say this because I'm also mindful (as explained above), Mr S's account was jointly held with his partner who was also receiving income, and I think it's fair to say his partner was likely to also have been contributing towards household bills. Additionally, child benefit and child tax credit were also paid into the account. Moreover, Mr S applied for the credit and would have wanted to be approved in order to acquire the car. It is in this light he would have presented his circumstances, and I don't think Moneybarn needed to go as far as to obtain bank statements.

I've also thought about the adverse information on Mr S's credit file. However, Mr S's overall credit balance was relatively low and seemed manageable. I don't think this information alone meant Moneybarn ought not to have lent, particularly where it was likely to have seemed affordable had Moneybarn obtained further information about his expenditure.

Overall, I don't think the checks carried out by Moneybarn were reasonable and proportionate. However, weighing up the information I have, I think such checks were likely to have shown the agreement was affordable and sustainable for Mr S. So, I can't say Moneybarn shouldn't have lent to Mr S.

Did Moneybarn treat Mr S unfairly or unreasonably in some other way?

I've reviewed the account information I have, and I note there were bounced direct debits for the repayments from August 2019. From this point, I have seen Moneybarn reasonably contacted Mr S to discuss missed payments and gave him his exit options. He proceeded to voluntarily terminate the agreement. All things considered, I'm unable to conclude Moneybarn treated Mr S unfairly or unreasonably in some other way.

I've also 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 Moneybarn lent irresponsibly to Mr S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 October 2025.

Laura Dean
Ombudsman