

The complaint

Mr C, who is represented by a third party, complains that Moneybarn No.1 Limited ("Moneybarn") irresponsibly granted him a conditional sale agreement he couldn't afford to repay.

What happened

In January 2017 Mr C acquired a used car financed by a conditional sale agreement from Moneybarn. Mr C paid a deposit of £1,065, after which he was required to make 59 monthly repayments of £301.24. The total repayable under the agreement was £18,838.16.

Mr C finished paying the agreement in January 2022.

Mr C says that Moneybarn didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable.

Moneybarn didn't agree. It said that it carried out sufficient checks before offering Mr C the finance. These included checking and verifying his income and carrying out checks with a credit reference agency. It said that unfortunately it no longer has the full details of the data obtained during these checks.

Our investigator didn't recommend the complaint be upheld. Given that Moneybarn had been unable to provide full details of its checks she couldn't say that the checks were proportionate. But even if it had done further checks, she didn't think Moneybarn had acted unfairly or unreasonably by approving the finance.

Since Mr C and those representing him don't agree, his 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr C's complaint.

I've seen that Moneybarn required certain pieces of information before approving the finance. This included copy payslips from several weeks before the agreement was approved.

I've seen a summary of what Moneybarn found. As our investigator noted, that summary doesn't tell us what Moneybarn allowed for in terms of Mr C's monthly spending. I can, though, see that Moneybarn accepted that Mr C was earning around £1,500 a month in net income.

In terms of the credit check Moneybarn ran, I can see Mr C wasn't showing as owing any other credit. However, he'd had an account go into default 61 months earlier, on which he owed £300. I think it's reasonable to have treated that as a historical debt issue given the time that had passed.

Given that I've not been able to see what Moneybarn allowed for Mr C's monthly spending, I'm not able to say that Moneybarn saw enough to be assured of Mr C's ability to meet his repayment obligations under the agreement. So I can't say that its checks were sufficiently borrower-focused to show what his regular committed expenditure and other monthly living expenses were likely to be. I've also kept in mind that Mr C was taking on a significant financial commitment.

Our investigator thought that the payslips Mr C supplied were helpful in establishing his regular income. And although we don't have the exact expenditure figures relied on by Moneybarn, using them alongside the pay and credit search information doesn't appear to have suggested that Mr C would be unable to fund the new agreement.

Mr C has recently sent us some bank statements covering the period from early November 2016 up to and even after the agreement. But I will only comment on what I found for the period leading up to the agreement.

The statements help to give us a fuller understanding of what Mr C's financial situation looked like at the time. I've kept in mind that Moneybarn needed to establish that the repayments were likely to be affordable and something that Mr C would be able to repay on a sustainable basis going forwards.

The statements confirm the sums shown on the payslips Mr C provided to Moneybarn and that it works out at between £1,400 and £1,500 per month. But they also show payments being received regularly from other businesses, which I think it's reasonable to take to be other employment income. That suggests that Mr C was, at least during this period, receiving an income of around three times the £1,500 that was supported by his pay slips. These payments were being made at regular intervals and in the main were coming in from two businesses. In addition, he was receiving some state benefits of around £110 per month. The key point here is that Mr C's stated income was at least consistent with the income figure Moneybarn was using.

I've also seen that Mr C was making regular use of his overdraft. That's a potential source of concern although what I don't see is evidence to suggest that aside from his reliance on it, his financial situation might be worsening. I've also seen that by January 2017 he was becoming much less reliant on it and using it in a much more limited way.

Looking at what he was spending his money on I can see some spending on utilities, including phone, TV and internet, plus council tax. There are also monthly payments to a credit card of around £50. I'd put the total for all these at around £400. I can also see what I take to be regular household and food spending, which was around £6-700. So, Mr C was having to find around £1,100. Based on his stated income to Moneybarn, that means he'd have somewhere between £3-400 left each month by way of disposable income. But Mr C's income position was better than he'd stated with the benefits and additional income I've seen added. I'm therefore satisfied that he could afford the new monthly repayment of £297 and still have a reasonable amount left over as disposable income. And I say that taking on board that there may have been variations in the level of income he received each month.

To summarise, had Moneybarn requested Mr C's bank statements, it would have found that there were adequate funds available for Mr C to be able to afford the new monthly repayments and be able to pay them sustainably going forwards.

It follows that I agree that Mr C was likely to have been able to fund the monthly repayments that would be due under the agreement. So, I don't consider that Moneybarn granting him the finance would have been unfair.

I'm sorry to have to disappoint Mr C on this occasion.

I've considered whether the relationship between Mr C and Moneybarn 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 C or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 19 December 2025.

Michael Goldberg

Ombudsman