

The complaint

Mr K, through his representative, complains that MONEYBARN NO.1 LIMITED approved a car finance agreement for him which he could not afford to repay. Mr K's representative submits that the decision to provide credit to him was irresponsible and unfair. It claims an interest refund plus additional interest and £100 for distress and inconvenience for having to raise this complaint.

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

What happened

In August 2016 Mr K agreed to buy a car using finance provided by Moneybarn. Mr K has said he needed the car to commute to work. The price of the car was £10,300. Mr K paid £300 as a deposit and the credit part was £10,000. The repayments were just under £312 a month the total to repay was £18,340 (rounded figure). He paid the car finance off in May 2021 and then has told us he sold the car on privately two years later.

After Mr K complained in 2024, Moneybarn responded in July 2024 giving reasons why it considered that the complaint ought not to be upheld. The separate complaint surrounding motor finance commission payments are not being addressed in this decision. That will be dealt with separately.

After Mr K had referred the complaint to the Financial Ombudsman Service, one of our investigators considered it and thought that Moneybarn did not need to do anything to put things right for Mr K. He responded. The unresolved complaint was passed to me to decide. I've read the submissions Mr K has sent since the investigator's view.

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 irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mr K's complaint. I am not being asked, or expected, to stand in the shoes of the Moneybarn's assessors when the agreement was approved and act as a lender: I am resolving a complaint about whether the approach taken by it was reasonable and proportionate at the time it was taken.

Moneybarn needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr K before providing it.

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 – suggesting the lender needed to know more about a prospective borrower's ability to repay.

I have reverted to the specific wording and detail in the FCA Consumer Credit Sourcebook (CONC) Chapter 5 on responsible lending to assist me in relation to this complaint. This agreement was taken in 2016 and I've used the paragraphs in CONC applicable for that date. I do not set out the FCA wording here as Mr K's representative likely is familiar with that CONC chapter and I refer them to it for the detail.

Mr K provided two payslips to Moneybarn in 2016 to show his salary after tax. I have seen copies provided dated June and July 2016. Mr K's salary after tax and deductions were £1,396 and £1,752. Moneybarn used an average of £1,574 as Mr K's income. So, I am satisfied it knew his income.

Moneybarn carried out a credit search and the results were summarised in Moneybarn's FRL. Mr K had a judgment debt from 16 months before the application date, insolvency entries and some defaulted accounts which could be described as historic as they were 48 months before. Mr K did not appear to have much other debt. The summaries I have seen are not detailed but that likely ought to have been enough for Moneybarn to consider that it needed to make additional checks. I've seen from its Income and Expenditure (I&E) document, there are no entries for any expenditure. So, the lack of detail here does not persuade me that Moneybarn did enough before agreeing to lend to Mr K in August 2016.

Considering the duration of the agreement as well as the amounts involved, Moneybarn's checks ought to have been more borrower-focused here to ensure the lending would be sustainable over the term of the agreement alongside Mr K's non-discretionary costs.

One way to do this could have been for Moneybarn to ask for copies of his rental agreements and copies of his bills. A more convenient method was to have reviewed his copy bank account statements for the period leading up to 31 August 2016. Mr K has provided copies of one of his bank accounts statements from May to September 2016. I have a questionnaire completed by Mr K giving expenditure figures he has said were from that time in 2016. Mr K has that document and so I do not set out the figures here. Save that having cross referenced that list of expenditure figures and his bank statements I do see that Mr K was running a car before he bought this one through Moneybarn, but I do not see payments to a car company of £307 a month. I think that this figure may refer to the new car cost as its very similar figure - £312. Either way, adding up the figures provided by Mr K (even if I include the £307 for the car cost) that expenditure is less than his income. His bank account statements substantiate that.

Moneybarn has said it has no copies of the credit searches it did in 2016. Mr K has provided a copy of his personal credit file dated July 2025 but it does not go back further than six years. So, it's no help in relation to the period leading up to August 2016. From that credit file of Mr K's, I can see that his financial situation took a downturn in or around 2023.

Overall, I consider that had Moneybarn carried out further checks, it would have recognised that Mr K could afford the car. His income exceeded the outgoings which I classify as non-discretionary. He had been running a car before he took this one and so Mr K was familiar with, and had been paying, the costs associated with it. And placing the application within the context of his circumstances that he needed the car to commute to work, I consider that Mr K could afford the car. I do not uphold the complaint about irresponsible lending.

Unfair treatment

I've also considered whether Moneybarn acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under section 140A of the Consumer Credit Act 1974.

I have reviewed contemporaneous account notes covering the whole of the lending relationship. These show that Mr K changed jobs in January 2017 and called Moneybarn to

talk about payment as there was going to be a delay with his new salary. Mr K paid the outstanding on 6 February 2017 – the day his new salary was paid to him.

In 2017 various issues and complaints were made by Mr K about the warranty or lack of it, some repairs and the Direct Debit (DD) instruction having been set up incorrectly by Moneybarn. He raised a complaint at that time which was resolved.

In 2018 Mr K asked twice about an early settlement figure. In March 2019, the DD failed due to lack of funds. After that, this outstanding sum stayed with him as arrears even though the main payments were being made each month by DD. I've checked the Statement of Account (SOA) we've received which shows regular and fairly uninterrupted payments.

In April 2020, which was the start of the Covid 19 pandemic, and all through to early 2021, Moneybarn regularly emailed Mr K about the arrears from that earlier DD failure. It was offering help during Covid. Mr K never responded. And I've seen from Mr K's personal credit file which has the Moneybarn agreement in that record, no adverse data or arrears markings were added by Moneybarn.

In early 2021, as the agreement was ending, Mr K called to settle up early and end it all so that he could keep the car. This was done in May 2021.

Having read all of this I do not consider that Moneybarn treated Mr K unfairly during that time. And, for the reasons I've already given, I don't think it lent irresponsibly to Mr K 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.

My final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 2 December 2025.

Rachael Williams
Ombudsman