

## **The complaint**

Mr S is complaining about Moneybarn No.1 Limited (Moneybarn). He says they acted irresponsibly in lending to him as the finance agreement was unaffordable.

## **What happened**

In December 2019, Mr S entered into a conditional sale agreement with Moneybarn to finance the purchase of a car. He paid a deposit of £300 and borrowed £13,838 - the cash price of the vehicle (including extras) was £14,138. The agreement required Mr S to make 59 monthly repayments of around £425. Mr S made a lot of his repayments on time but had some periods of returned direct debits and stopped paying altogether in mid-2024. The agreement was terminated in January 2025 and Moneybarn later recovered the car.

In May 2025, Mr S complained to Moneybarn, saying they shouldn't have lent to him. In their response, Moneybarn said they had carried out enough checks before deciding to lend to Mr S. They said these checks showed the agreement was likely to be affordable for Mr S. So they didn't uphold Mr S's complaint, and he brought it to the Financial Ombudsman Service.

One of our investigators then looked into the complaint. He thought Moneybarn had completed reasonable and proportionate checks and made a fair lending decision. But, he said, Moneybarn should have defaulted Mr S's account sooner, in November 2022.

Moneybarn accepted our investigator's view and said they'd be willing to change the date of the default. But Mr S didn't accept it. He said he's always been self-employed and didn't describe himself as an employee on his application. He didn't think a credit reference agency could give details of his annual income. And he didn't recall providing figures for his outgoings and said the ones our investigator had quoted simply weren't true. He provided evidence that he said demonstrated the agreement was unaffordable, included his accounts for his business, and asked for the complaint to be reviewed by an ombudsman. The matter's now come to me.

## **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.

Having done so, I'm partially upholding Mr S's complaint for broadly the same reasons as our investigator - I'll explain more below.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

### *Did Moneybarn carry out proportionate checks?*

Moneybarn said they conducted a full credit search, used an automated check carried out by a credit reference agency to verify Mr S's income, and estimated his essential living costs using statistical data.

Mr S queried whether a credit reference agency could give details of someone's annual income. Credit reference agencies typically provide an income verification service to lenders. They use differing methods, including considering previous applications for credit and a check of current account turnover (i.e. amounts going through an applicant's current bank accounts). CONC specifically allows businesses to use a credit reference agency for income verification. In Mr S's case, the application suggests he said he earned £1,875 per month, and Moneybarn were able to verify that figure. So, I'm satisfied it was reasonable for them to rely on it.

Mr S said he wouldn't have said he was an employee because he's always been self-employed. It's not clear exactly how Mr S's application was completed, but the application details clearly state "Employed Full-Time", so I can't say Moneybarn should have known he was self-employed.

Mr S also said he didn't recall providing any details of his expenditure and his spending is much higher than the figures Moneybarn used. Moneybarn didn't ask Mr S for details of expenditure – instead they used statistical data from the Office for National Statistics. This gives an indicator of what average essential spending is for a given demographic. CONC allows a business to use statistical data to estimate an applicant's non-discretionary spending unless it knows or ought to suspect that the applicant's non-discretionary spending is significantly higher than average.

I haven't seen anything to suggest Moneybarn ought to have known Mr S's non-discretionary spending was significantly higher than average. I can see, from the details and bank statements that he's provided us, that Mr S's housing costs in particular were significantly higher than the figure Moneybarn used. But I can't say that ought to have been apparent to Moneybarn.

That's because Mr S's credit file showed his existing debts weren't particularly high, and there was no indication that he was struggling to maintain his payments for them. Although Moneybarn did identify that Mr S had previously had County Court Judgments (CCJs) and defaults against him, the latest of these had been recorded 18 months before Mr S's application to Moneybarn. So they weren't indicative of more recent financial difficulties. And there was nothing else in his application to suggest that his expenditure might have been higher than average. In addition, Moneybarn's agreement explanation document, which Mr S signed, set out their estimate of his total non-discretionary monthly expenditure and said Mr S shouldn't enter into the agreement if his actual commitments were significantly higher.

So, in summary, Moneybarn checked Mr S's income, estimated his spending on credit commitments from his credit file and estimated his non-discretionary spending using statistical data. This suggested he would have around £970 disposable income per month available to make the repayments due for this credit agreement, or around £550 per month after having done so. That amount of disposable income suggested the agreement would still be affordable even if Mr P's actual expenditure was quite a lot higher than the statistical data suggested. Taking everything together then, I'm satisfied Moneybarn's checks were reasonable and proportionate.

### *Did Moneybarn make a fair lending decision?*

Having concluded that Moneybarn carried out proportionate checks, I need to decide whether they made a fair lending decision.

As I've set out above, Moneybarn's findings suggested that Mr S would have around £550 per month in disposable income after paying for all his essential spending and existing credit. Having reviewed their calculations, it's not clear why Moneybarn's figure for Mr S's existing credit commitments was so low, at £41 per month. I've seen he was actually paying around £270 per month for these. As £217 of this appears to have related to an existing hire purchase agreement, it's possible Moneybarn deducted this because they knew or assumed that Mr S would be replacing the existing agreement with this one. I've not seen any evidence of this. However, if the credit commitments figure was increased to £270 per month instead of £41 per month, this would still have left Mr S with around £330 in disposable income. I'm satisfied it would have been reasonable for Moneybarn to consider this enough to cover emergencies and non-essential spending. And so it follows I'm satisfied Moneybarn acted fairly when deciding to lend to Mr S.

*Did Moneybarn act unfairly in any other way?*

Our investigator said Moneybarn should have defaulted the agreement sooner, in November 2022. Mr S hasn't raised any objections to this and Moneybarn have accepted it. So I'm satisfied it's fair to direct Moneybarn to arrange for Mr S's credit file to be amended in this way.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm directing results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

As I've explained above, I'm partially upholding Mr S's complaint. Moneybarn No. 1 Limited need to arrange for Mr S's credit file to be updated to reflect the account being defaulted in November 2022.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 February 2026.

Clare King  
**Ombudsman**