

The complaint

Mr G complains that MONEYBARN NO.1 LIMITED (“Moneybarn”) gave him finance without carrying out sufficient affordability checks and had better checks been made it would’ve discovered Mr G was having financial difficulties.

Mr G also says that he was having mental health difficulties at the time and said this led to him having problems managing his finances and understanding complex agreements. MoneyBoat ought to have identified this and taken steps to support him.

What happened

In May 2019, Moneybarn provided Mr G with a conditional sale agreement for a used car through a credit intermediary. The vehicle had a cash price of £5,107.50 and Mr G paid an advance payment of £400, so £4,707.50 was financed. If Mr G made the payments in line with the agreement, he would’ve repaid a total of £11,411.76. The agreement was to be repaid by 59 monthly repayments of £186.64. Moneybarn’s statement of account shows the agreement was settled in September 2021, following a car accident.

Following the complaint, Moneybarn issued its final response letter, and it didn’t uphold the complaint because it concluded it fairly assessed the loan as being affordable.

The complaint was referred to the Financial Ombudsman where it was considered by an Investigator. They concluded Moneybarn ought to have done more before lending given recent adverse payment information recorded on Mr G’s credit file. But had further enquires been made with Mr G then it still would’ve thought the agreement was affordable. Mr G disagreed saying.

- The Investigator also made their assessment based on incorrect and incomplete data and so wasn’t a true reflection of Mr G’s circumstances.
- Moneybarn was aware that Mr G was struggling with his mental health because he says he told them before the agreement that he was on medication and he had previous poor experience with another car finance agreement. Under the FCA rules it needed to respond to signs of clear vulnerability.
- Knowing Mr G was vulnerable it ought to have adapted its checks and looked more closely at his finances and have treated Mr G with greater care.
- Moneybarn’s lack of support with communication and the DSAR forms a pattern that led to significant distress and inconvenience.

These comments didn’t change the Investigator’s mind and as no agreement has been reached, the complaint has been passed to an ombudsman 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.

Mr G also raised a complaint about whether any motor finance commission was paid but that is not being addressed in this decision.

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 G's complaint. Having carefully thought about everything I've been provided with, I'm not upholding Mr G's complaint. I'd like to explain why in a little more detail.

Moneybarn needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr G 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 – suggested the lender needed to know more about a prospective borrower's ability to repay.

Moneybarn, as part of the application process, took details of Mr G's monthly income which he declared was £1,600. Moneybarn didn't just rely on what it was told. It cross checked the income with a tool provided by a credit reference agency, and it says the results indicated that what Mr G had declared was likely to be accurate.

Moneybarn then went about working out what Mr G's likely monthly living costs were – and for this it used figures derived from the Office of National Statistics – Moneybarn considered that Mr G's monthly outgoings came to £851.08 and to this it added a further buffer of £223.38. Overall, Moneybarn worked out that Mr G's likely outgoings came to around £1,152.46 per month – which left sufficient disposable income to afford the loan payments.

Moneybarn has also said it carried out a credit search, but the full data isn't available due to the passage of time. But it has been able to provide a summary of the information that it received.

The summary information showed Mr G already had existing total debt of £10,087 – with the majority of this connected to non-revolving credit facilities. It knew there were no recent missed payments, type of insolvency or any County Court Judgement (CCJ) recorded against him.

However, Moneybarn was told that Mr G had defaulted on a total of six accounts with the most recent default occurring four months before the agreement started. Moneybarn has said that there were no recent defaults – I disagree with this.

Clearly, a default occurring only four months before the start date of the agreement is close enough to have indicated that Mr G may have been having financial difficulties to the extent that he couldn't make payments to one of his creditors.

This has led me to conclude, for broadly the same reasons as the Investigator that more checks were needed by Moneybarn given its own credit check results indicated that Mr G had recently encountered financial difficulties. As such it wasn't fair to have used statistical data for the purposes of the affordability assessment. What Moneybarn needed to have done was to find out more information about Mr G's actual non-discretionary living costs.

However, while the checks weren't proportionate that doesn't mean Mr G receives a refund of interest, fees or charges. Instead, what I have to consider is whether it still would've decided to lend (or not) had Moneybarn conducted proportionate checks at the time.

It's perfectly possible and plausible that while the checks weren't good enough that still doesn't lead to the complaint being upheld because further checks would've shown Moneybarn the lending was affordable. So, in the circumstances, the Financial Ombudsman has to try and work out – as far as practically possible what Moneybarn may have seen had it made further enquires and I've explained what that looks like below.

Moneybarn could've gone about making further enquires a number of ways. It could've simply asked him what Mr G's non- discretionary living costs were, asked for evidence from Mr G about his bills, requested any other documentation or as I've done, it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Mr G's regular living costs are likely to have been like at the time – I've not done this because I think Moneybarn ought to have requested this information as part of underwriting this loan.

I accept had Moneybarn conducted proportionate checks it may not have seen all the information that I have seen in the bank statements and I also don't think that Moneybarn needed to carry out a line of by line review of every transaction that is visible in the bank statements. Instead, I've used the statements to assist me to get an idea of what his regularly living costs were.

Mr G has told us that at the time he had a rental property with is partner and the bills and utilities were split in half. Mr G says his share of the rent was about £300, he had a further £300 for other bills including utilities and council tax, £200 for shopping and about £150 for petrol – so Mr G – based on his own assessment had outgoings were around £1,000 per month.

Having looked at the bank statements what Mr G has said about his circumstances appears broadly accurate – so had Moneybarn undertaken the further checks that I think it needed to have done before lending to Mr G it would've likely discovered the above – and even with the calculated credit costs from the credit search results Moneybarn would've reasonably concluded that the finance agreement was affordable to Mr G.

Finally, there also isn't anything from the bank statements to suggest that Mr G was having or likely having financial difficulties at the time. There were some bank charges from earlier on in the year but at this time Mr G wasn't working and was in receipt of benefits. After he started his new role the financial position of the account improved as more regular earnings were received. But there wasn't any other information that Moneybarn may have seen that would've suggested he was struggling at the time.

So, taking into account what I've seen in the statements I've concluded that had Moneybarn conducted further checks into Mr G's non-discretionary living costs it still would've concluded the lending was affordable for Mr G and so I am not upholding the complaint.

Other considerations

I've also considered the elements of Mr G's complaint which he has raised.

Firstly, I can understand that he is unhappy with the cost of the credit that Moneybarn provided. But at the time, the information about how much Mr G was due to pay was set out

in the credit agreement and there is no mechanism for the Financial Ombudsman – at the time - to become involved in whether the agreement offered Mr G was good value for money. As such, while the agreement may have been more expensive than say getting a high street loan, that alone isn't a reason to uphold the complaint.

I'm sorry to hear that Mr G was in a car accident that results in the insurance company writing off the car, and this left him for a period of time not having access to a vehicle and this understandably caused disruption. But if he has any concerns with how the settlement was made to Moneybarn or was left without a vehicle that is really a matter for the insurance company rather than Moneybarn. So, again I'm not upholding the complaint as a result of the car being written off.

I also understand that there have been some problems relating to a DSAR request – Mr G says that he believes information may have been sent to a previous address. Mr G has told us he's now raised this with the Information Commissioner's Office (ICO). The ICO is the body set up to investigate what happened when a DSAR is made and whether it's been complied with. But there are occasions when the Financial Ombudsman can become involved – such as if a loss has been caused.

But equally, having looked at the original letter of complaint the issue of the DSAR hasn't been mentioned. It's therefore not appropriate for me to investigate this matter any further and whether Moneybarn did something wrong because it should be given an opportunity to review what has happened. If once a final response is issued than subject to our jurisdiction, then this is maybe something we could assist with.

Finally, I've considered what Mr G has said about his vulnerability. In summary, he was vulnerable at the time – he had mental health problems which while weren't diagnosed he has been consistent in saying that he had mentioned all of this to Moneybarn when he took the agreement out due to a poor experience with another finance provider.

Mr G says that he's not been treated fairly as a result of being vulnerable. The relevant regulations say that Moneybarn need to be aware of vulnerabilities that its either explicitly told about or if it suspects a consumer is vulnerable.

In this case, Mr G says he told Moneybarn about his vulnerabilities at the time the agreement was entered into. The notes given to me by Moneybarn don't make any reference to this. As such, it didn't make a note of them or as far as I can see changed the way it communicated with Mr G.

But, for the affordability assessment I've already considered that Moneybarn needed to do more before it lent – which would've been fair given the circumstances - and of course Mr G is aware that we'd not say just because he was vulnerable that Moneybarn ought not to have lent to him because that wouldn't be fair either.

And in terms of communication, I can't see there was much contact between Mr G and Moneybarn – there is some help provided by Moneybarn following the COVID-19 pandemic and the further contact with Mr G following his car accident and the settlement of the account. So, I don't think that even if Moneybarn had noted Mr G's vulnerability that he would've been treated any differently to what he was.

Things do seem to have improved for Mr G recently following a diagnosis and treatment – which I'm glad to hear about. But overall, I'm not persuaded that even if Moneybarn had treated him as a vulnerable customer that I would come to a different outcome here.

Finally, 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 G 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

For the reasons I've outlined above, I am not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 March 2026.

Robert Walker
Ombudsman