

## **The complaint**

Mr K complains about Moneybarn No.1 Limited's decision to lend him. He says the loan was unaffordable.

A representative has brought the complaint to our service. But for clarity, I've only referred to Mr K throughout this decision.

## **What happened**

In November 2021 Moneybarn No.1 Limited ('Moneybarn') provided Mr K with finance to purchase a used van. The van cost £13,295 and Mr K entered into a conditional sale agreement to finance the full amount. After interest and charges the total amount due was £25,864, repayable in 53 monthly instalments of £488.

In November 2024 Mr K complained to Moneybarn saying that they didn't undertake appropriate affordability checks – and had they done so, Moneybarn would have realised the agreement was unaffordable. Moneybarn didn't agree with Mr K's complaint. In their view, they carried out reasonable checks which showed that the payments for this agreement were affordable for Mr K, and they lent on that basis. Mr K remained dissatisfied with Moneybarn's response and referred the complaint to our service, where it was considered by one of our investigators.

Our investigator didn't think Moneybarn's checks had been proportionate. But he only received statements for one of Mr K's accounts, so he had limited information about Mr K's circumstances. He said he couldn't be sure what Moneybarn would have found out had they carried out additional checks, so he couldn't safely conclude that Moneybarn had acted unfairly when deciding to lend to Mr K.

Mr K didn't agree with our investigator's view. He said Moneybarn's calculations showed that he had disposable income of around £63 per month. And this supported his point that the agreement wasn't affordable. Our investigator considered what Mr K said, but his view remained unchanged. As no agreement could be reached Mr K asked for an ombudsman's decision – and the complaint has 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 not upholding Mr K's complaint.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether 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.

When determining what's proportionate, we'd expect lenders to think about the nature of the credit (the amount repayable and the term, for example) and about the applicant's individual circumstances. I'd expect a lender to find out more about a prospective borrower's ability to repay if for example, a borrower's income was low, the amount lent was high, or the borrower's credit file reveals an impaired credit history.

#### *Were Moneybarn's checks proportionate?*

I've thought about the checks Moneybarn carried out. During the application process Mr K declared he had a net monthly income of £2,500. Moneybarn said they checked Mr K's income using data from one of the credit reference agencies (CRA) and were able to verify a net monthly income of £2,000.

Moneybarn also checked Mr K's credit report. While they didn't keep a copy of the credit search, they kept notes, which they sent us. These notes show that Moneybarn saw five defaults, with the most recent being 15 months prior to the lending. None of the defaults had been satisfied. But the total default balances had reduced from £6,400 to £6,100, indicating that Mr K was actively making repayments towards the outstanding balances. Moneybarn further noted that Mr K was a month in arrears with one of his creditors.

Mr K also sent us a copy of his credit report. This shows broadly the same information as detailed above. But I could also see Mr K had been in arrears with a utility provider between December 2020 and April 2021, six months before Mr K applied for finance from Moneybarn.

Moneybarn used data from the Office for National Statistics (ONS) to calculate Mr K's likely outgoings. They calculated that Mr K's monthly expenditure was around £1,449, including credit commitments, living costs and a buffer for unforeseen expenditure. This would have left Mr K with monthly disposable income of £551 to cover the monthly repayments.

Given the adverse information Moneybarn saw on Mr K's credit file, the level of credit advanced to him, as well as the length of the agreement I think Moneybarn needed to do more to understand Mr K's expenditure rather than relying on estimates. For that reason, I'm satisfied Moneybarn didn't carry out reasonable and proportionate affordability checks before lending.

#### *What would proportionate checks have shown?*

I've considered what Moneybarn would likely have found out if they had completed reasonable and proportionate affordability checks. There are different ways a lender can go about checking a prospective borrower's income and non-discretionary expenditure. I can't be sure what Moneybarn would have done had they decided to conduct further checks, or what Mr K would have told them. In the absence of anything else, I usually look at bank statements for the three months leading up to the finance application as an indication of what would most likely have been disclosed.

Here, the application was submitted in November 2021, so I've looked at the period covering August, September and October 2021 to see what Moneybarn would likely have found had they carried out more thorough checks. Mr K provided statements for one of his current accounts. I can see regular rent payments as well as payments to a loan provider, an insurance provider and to the Driver and Vehicle Licensing Agency (DVLA). The payments average £893 a month. I couldn't see payments to utility providers or for council tax. And while I could see some credits from Mr K's business, it's not clear from the statements what Mr K's income was.

It's evident from the statements that Mr K has at least one additional bank account, as I could see large payments to and from that account. Our investigator asked Mr K to provide statements for the relevant period for that account, however Mr K didn't send them. Because the evidence requested wasn't provided, I can't ascertain what Moneybarn would've found out about Mr K's income and expenditure if they had carried out proportionate checks. This means that I can't safely conclude that Moneybarn would've discovered that the agreement was unaffordable for Mr K. For this reason, I can't say that Moneybarn made an unfair lending decision.

For completeness, Mr K said that Moneybarn estimated he had disposable income of £63 per month, after taking into account the proposed lending. In his view this shows the lending wasn't affordable. I note here that the income and expenditure exercise Moneybarn carried out prior to lending to Mr K was based on estimates rather than Mr K's true expenditure. I've set out above that it wasn't reasonable for Moneybarn to rely on estimates alone. I accept it's possible that proportionate checks would have shown Mr K had very little or no disposable income. But given the limited evidence before me I've not been able to make such a finding.

#### Did Moneybarn act unfairly in any other way?

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way given what Mr K has complained about, including whether their relationship with Mr K might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Moneybarn 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**

For the reasons set out above, my decision is that I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 February 2026.

Anja Gill  
**Ombudsman**