

## The complaint

Mr P's complaint is that Moneybarn No.1 Limited irresponsibly provided him with an unaffordable conditional sale credit agreement to finance a car.

Mr P's complaint has been brought by a professional representative, but for ease I've referred to all submissions as though they are his own.

## What happened

Moneybarn provided Mr P with a credit agreement in December 2015 to purchase a car with a cash price of around £11,400. Mr P paid a deposit of £300 and Moneybarn provided finance of around £11,100. The agreement had a term of 60 months with 59 instalments of around £325, and had a total repayable value, including the deposit and interest and charges, of around £19,520. The agreement was settled early in August 2020.

Mr P complained to Moneybarn in October 2024, saying had Moneybarn completed proportionate checks it would have identified this agreement wasn't affordable for him. He said it hadn't made a fair lending decision by providing this agreement. Moneybarn didn't uphold his complaint and he referred it to our service.

One of our investigators reviewed the details and didn't uphold the complaint. As an agreement couldn't be reached the case was passed to me to decide.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my provisional decision:

*"The information in this case is well known to Mr P and Moneybarn, so I don't intend to repeat it in detail here. While my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me; but I've focused my findings on what I consider to be the key points. I don't mean to be discourteous to Mr P or Moneybarn by taking this approach, but this simply reflects the informal nature of our service.*

*At the time Moneybarn arranged this agreement for Mr P it was required to carry out proportionate checks. These checks required it to assess Mr P's ability to afford the agreement being arranged and repay it sustainably, without causing him financial difficulties or financial harm.*

*There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't enough for Moneybarn to just complete proportion checks; it must go on to fairly assess the information it obtains through these checks to ensure it lends responsibly.*

*I've followed this approach when considering Mr P's complaint and I've set out my findings below.*

*Moneybarn says it took Mr P's declared income and verified this by way of one month's payslip. It says it made 'reasonable assumptions' for Mr P's existing expenses and non-discretionary expenditure, and that it completed a credit check to understand his existing credit commitments and recent and historic management of credit. Moneybarn has said it considers these checks to have been proportionate, and that it was able to satisfy itself that this agreement was sustainable affordable for Mr P across the full term. It therefore says it made a fair lending decision when providing this credit agreement.*

*I've carefully considered Moneybarn's arguments. Having done so, I'm not persuaded its checks were proportionate, or that it went on to make a fair lending decision by providing Mr P with this credit agreement. I've set out my current thoughts on reaching these conclusions below.*

*Moneybarn was providing Mr P with an agreement which had a significant total repayable value and monthly repayment, and this was to be paid across a sizeable term of 60 months. While I acknowledge Moneybarn verified Mr P's income and completed a credit check to understand his existing credit commitments; it hasn't been able to evidence what its checks into Mr P's non-discretionary expenditure consisted of, nor what it calculated for this.*

*Without verifying Mr P's non-discretionary expenditure, I don't consider Moneybarn could reasonably satisfy itself that this agreement on the terms being provided would be sustainably affordable across the full term. I therefore consider proportionate checks needed to include Moneybarn obtaining a thorough understanding of Mr P's financial position, by verifying his monthly non-discretionary expenditure, to ensure providing Mr P with this lending would be a responsible decision.*

*Moneybarn could have obtained this information in a number of ways as the rules and regulations it needed to follow aren't prescriptive. Our service's general approach is to ask a customer to provide us with their main bank statements showing their income and expenditure covering a period of three months leading up to a lending event. We generally find this allows us to recreate what proportionate checks would more likely than not have shown a lender, had it completed them at the time.*

*Mr P has provided us with his bank statements covering three months leading up to Moneybarn's lending decision. In the absence of any other contradictory information, I consider these statements allow me to obtain a reasonable understanding of Mr P's financial position in the lead up to this lending event.*

*Mr P's statements predictably evidence an income in line with the payslip Moneybarn obtained, of around £1,850 per month.*

*Mr P's non-discretionary and regular committed expenditure is evidenced towards payments such as insurances, child maintenance, regular commitments to an individual, and payments to existing credit commitments. There is a credit commitment which appears to end in October 2015; and I don't consider it unreasonable given the lender that this was likely in relation to motor finance. As the repayments appear to end in October 2015, I've not included payments to this within my calculations. Taking into account the other evidenced regular commitments, Mr P's total expenditure averages around £1,050 per month.*

*So, this appears to leave Mr P with a disposable monthly income of around £800 for food, travel and car associated costs, as well as other living costs and any unexpected costs that*

*may occur from month to month. As such, on a strictly pounds and pence basis this new agreement appears affordable for Mr P.*

*However, the credit check details Moneybarn has been able to provide us are high level, taken from the check it completed at the time which it has said is no longer available due to the passage of time. I don't consider it unreasonable that Moneybarn no longer holds the data sitting behind the check it completed, given the time that has passed and the data retention obligations on it. But I consider, on balance, it's more likely than not that Moneybarn's detailed credit check would have identified some of the revolving credit that has been reported related to overdraft borrowing. The bank statements show Mr P was using his overdraft to a high utilisation; and in all of the months leading up to this lending he was largely in an overdraft position, incurring unplanned overdraft fees on top of overdraft interest and usage fees. In one month the unplanned overdraft use fee alone was as high as £80.*

*The statements also show Mr P obtained lending from a high cost credit payday lender in October 2015. While it wouldn't be unreasonable that this may not have shown on the credit check Moneybarn completed in December 2015, given the close proximity; Mr P's statements evidence payments being made to this lender from September 2015. So, it's clear Mr P had obtained other borrowing from this payday lender, in August 2015 or earlier.*

*I therefore consider this information shows Mr P was consistently supplementing his income through high cost credit payday lending and overdraft borrowing, in part to afford to repay his existing regular monthly expenditure and credit commitments.*

*The Consumer Credit Sourcebook (CONC) rules in place at the time of this lending decision – which Moneybarn needed to adhere to – defines 'sustainable' as, in part, a customer being able to make payments 'without undue difficulties and in particular without having to borrow to meet the repayments'.*

*Essentially here, Mr P was already using borrowing to repay borrowing, and I consider it would have been reasonably foreseeable to Moneybarn through proportionate checks at the time that this would have continued to have been the case with this new lending.*

*I do acknowledge Mr P appears to have met his contractual payments on a monthly basis and proceeded to settle the agreement early. However, this information is only available after the lending event being considered here; and a strong repayment record isn't on its own evidence of an agreement being sustainably affordable.*

*Mr P has made us aware that he saw this agreement as a priority, and that as a result he ensured payments were made in line with his contractual obligations above other commitments. So, I don't consider the repayment record of this agreement to be persuasive evidence that it was sustainably affordable for Mr P.*

*Given my above findings, I'm not currently persuaded that this agreement was sustainable for Mr P, and proportionate checks would more likely than not have led to Moneybarn identifying this. So, it therefore follows I don't consider Moneybarn made a fair lending decision when providing this lending."*

Mr P accepted my provisional decision; Moneybarn didn't. In summary, it said it didn't consider it would reasonably have been aware of some of the financial circumstances I set out as part of proportionate checks at the time of this lending. It maintained its position that Mr P had a reasonable level of disposable income each month to sustainably afford this agreement; and that it had made a fair decision when providing this lending.

## **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've not been provided with any compelling evidence which leads me to conclude I should depart from the findings reached within my provisional decision. I say this because:

- Given the terms of lending being provided I'm satisfied Moneybarn needed to obtain a thorough understanding of Mr P's financial circumstances, to satisfy itself that this lending would be sustainably affordable across the full term.
- I consider obtaining a thorough understanding of Mr P's circumstances ought reasonably to have led to Moneybarn identifying Mr P had around £475 disposable income per month when taking into account the repayments to this agreement. This would need to cover costs for food, running a car, and other reasonable living costs.
- While it appears this agreement would be affordable, albeit tightly, on a strictly pounds and pence basis, I also consider proportionate checks ought reasonably to have identified Mr P's reliance on credit.
- Moneybarn has said it wouldn't be unreasonable to expect Mr P to change his spending habits. While I acknowledge its comments here, Mr P was showing a reliance on borrowing to repay borrowing, and I'm persuaded that better checks ought reasonably to have identified this.
- I therefore consider Moneybarn ought reasonably to have concluded it wouldn't be making a fair lending decision by providing Mr P with this credit agreement.

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 intending to award in this case, as set out below, results in fair compensation for Mr P in the circumstances of this complaint. I'm therefore satisfied, based on what I've currently seen, that no additional award would be appropriate in this case.

## **Putting things right**

As I don't consider Moneybarn made a fair lending decision when providing Mr P with this credit agreement, I don't consider it's fair for it to have applied interest or charges under the agreement. As such Mr P should only have to pay the original cash price of the car, being £11,045. In order to fairly resolve this complaint I therefore direct Moneybarn to take the following action:

- Refund any payments Mr P has made towards the agreement in excess of the original cash price of the car, being £11,405. It should add 8% simple interest per year\* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mr P's credit file relating to this agreement.

\*HM Revenue & Customs requires Moneybarn to take off tax from this interest. It must give Mr P a certificate showing how much tax it's taken off if he asks for one.

**My final decision**

My final decision is that I direct Moneybarn No.1 Limited to take the above action in resolution of Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 January 2026.

Richard Turner  
**Ombudsman**