

The complaint

Mr T, through his representative, complains that MONEYBARN NO.1 LIMITED approved a car finance agreement for him which he says he could not afford.

What happened

Mr T chose to buy a vehicle in June 2019 and applied to Moneybarn to assist through a finance agreement. The total to repay was £20,555.51 and the monthly repayments were scheduled to be just over £410 for 37 months. The cost of the car was £13,975 and Mr T had paid £5,377 in advance (around 39%) leaving £8,598 to be financed. The charge for the finance was £6,580.51.

Notices of Default were issued due to arrears in April 2021, October 2022 and January 2023. Moneybarn has told us that Mr T has the vehicle and a Termination letter was issued in February 2023. Moneybarn account notes show that in late February 2023 a Moneybarn representative went through an Income and Expenditure (I&E) exercise with Mr T and after the usual monthly payment of £410 was included in that I&E Mr T had £329.77 left over as disposable income. So, the plan arranged was that he pay £510 a month for just over five months to clear the arrears, pay the vehicle off and then keep the car. This is what happened. Mr T paid it off and kept the vehicle. A Moneybarn letter confirmed to Mr T that he'd paid it all off by November 2023.

After Mr T had complained in April 2025, and it had been referred to the Financial Ombudsman Service, one of our investigators considered that Moneybarn did not need to do anything to put things right. Mr T disagreed but sent no explanations, no additional evidence or any further submissions. The unresolved complaint was passed to me to decide.

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 S' complaint. I am not being asked, or expected, to stand in the shoes of 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.

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 and recent 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 Mr T's complaint. I do not set out the Financial Conduct Authority (FCA) wording here as Mr T's representative likely is familiar with that CONC chapter and I refer them to it for the detail.

When considering whether creditworthiness assessments were reasonable which is what the FCA require it to be, there are a number of considerations to guide Moneybarn that the checks were proportionate: CONC 5.2A.20R and the paragraphs following it. It was not expected that there was a full financial review of every aspect of Mr T's circumstances.

Proportionality can be seen as doing reasonable checks within the full context of the credit application, what it was for and other details. I can't improve on some of the wording in the guide paragraph CONC 5.2A.21:

Certain factors may point towards a more rigorous assessment and others towards a less rigorous one in which case the firm should weigh up the factors before deciding what type of creditworthiness assessment is required.

Moneybarn was able to look at the application for credit within its context – here the context being that Mr T wanted to buy this car and has explained to us that he needed a car. Mr T had been running a car before opting to buy this one. And I say that as the bank evidence Mr T has sent us shows he was paying the DVLA a fee for a car with a different registration in the months before he took this agreement in June 2019. These sort of DVLA payments usually relate to vehicle tax instalment. Another point which would have been a positive element was that Mr T paid a large proportion of the cost of the car upfront – about 39%.

Moneybarn has said that it verified the declared income and using evidence from Mr T, it seems to have been a correct verification. He declared to Moneybarn in June 2019 a monthly income of around £1,640 after tax. In May 2019 Mr T received a net income of around £1,786 which indicates his salary could be higher than £1,640.

Moneybarn has shown that it recorded that Mr T's total monthly expenditure for housing costs, utility bills, council tax, vehicle running costs and general living costs as £860. These were Office for National Statistics (ONS) figures.

Moneybarn had carried out a credit search which showed he had no open accounts. The search did show that he had a poor record - two defaulted accounts, the most recent eight months before he'd applied to Moneybarn. The defaulted accounts value was £3,500 outstanding. Plus, Mr T had at least one County Court Judgment (CCJ) and at least £1,000 outstanding on that judgment debt. So those may have been costing him each month but it's unclear how much.

Moneybarn used ONS figures to reach the £860 a month on expenditure. It added in an additional affordability margin figure of £223 and so the income left over to Mr T was £557 a month. As the car was due to cost £410 each month for 37 months, I consider that a narrow margin especially with Mr T's credit record.

Our investigator was of a similar view and considered that Moneybarn ought to have done more checks before lending. One way to have done that could have been for it to have asked Mr T for copies of his tenancy agreement, copies of his bills and other committed expenditure. Another way – and a convenient method (but not the only way) would have been to have looked at Mr T's bank account statements for a period leading up to mid-June 2019. Mr T has provided a set to us for that time.

Mr T has explained that in June 2019 he was living at home with his parents and paid £300 a month towards his housing and all bills. So, had Moneybarn asked further questions of Mr T then these would have been the answers. And this helps to explain why the usual sets of regular payments towards rent, bills, council tax and insurances are absent from the bank statement copies he has sent to us to review.

Mr T provided a copy of his personal credit file dated October 2024 which covered six years and so the Moneybarn details and other credit commitments Mr T had at the time are recorded. He did have a relatively recent CCJ but at the time in June 2019, not much else. That dovetails with the information Moneybarn had discovered on its own search.

The figures set out in our investigator's view are the ones he used and calculated that on that evidence Mr T had enough to afford the car finance agreement. These were (rounded figures): Insurance - £112, Rent - £300 (including all bills), Mobile - £66, Food - £332.

These all add up to around £810 leaving Mr T with enough to pay towards his debts and to pay for the car. Mr T has explained about a lot of payments to various family members for several reasons. I'd not expect Moneybarn to have gone into that level of detail. And most of these did not look to have been regular payments as few of them were made as Direct Debits or Standing Orders. So, I think its likely Moneybarn would have viewed the other transfers and payments as discretionary. And in any event, still I consider Mr T would have had enough to have paid for the vital ones and pay for the car.

I cannot ignore the 39% deposit Mr T was able to make when he was finalising the car purchase plus he's told us that he needed the car. So, these car finance payments were important to him.

Since the investigator's view in which he listed the figures taken from the bank account statements, Mr T has provided us with nothing to suggest that those figures were fundamentally incorrect or provide other information to demonstrate that what Moneybarn used in its calculations, or would have used if it had double checked with Mr T, were incorrect.

So, I consider that the amount left over after taking into account all Mr T's necessary expenditure would have been enough to cover the cost of the car. I do not uphold the complaint.

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.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr T 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

My final decision is I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 28 January 2026.

Rachael Williams
Ombudsman