

Complaint

Ms O complains that Moneybarn No.1 Limited (trading as “Moneybarn”) unfairly entered into a conditional-sale agreement with her. She’s said the monthly payments to the agreement were unaffordable and so she shouldn’t have been accepted for it.

Background

In May 2023, Moneybarn provided Ms O with finance for a used car. The cash price of the vehicle was £9,883.00. Ms O paid a deposit of £500 and entered into a 60-month conditional-sale agreement with Moneybarn for the remaining £9,383.00 she required. The loan had interest, fees and total charges of £8,404.91 and the balance to be repaid of £17,787.91 (not including Ms O’s deposit) was due to be repaid in 59 monthly instalments of £301.49.

Ms O’s complaint was considered by one of our investigators. He didn’t think that Moneybarn had done anything wrong or treated Ms O unfairly. So he didn’t recommend that Ms O’s complaint should be upheld.

Ms O disagreed with our investigator’s assessment and asked for her complaint to be passed to an ombudsman for a final decision.

My findings

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 Ms O’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Ms O’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 Ms O could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Moneybarn carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 says it agreed to this application after it completed an income and expenditure assessment on Ms O. During this assessment, Ms O provided details of her monthly income which it cross checked on information from credit reference agencies on the amount of funds going into Ms O's main bank account. Moneybarn says it also carried out credit searches on Ms O. These showed that she had no county court judgments ("CCJ") recorded against her, although she did have defaulted accounts with the most recent occurrence being just under a year prior to this application.

Nonetheless, in Moneybarn's view, when reasonable repayments to the amount Ms O already owed plus a reasonable amount for Ms O's living expenses were deducted from her monthly income, enough was left over for her to make the monthly payments for this agreement. On the other hand, Ms O says that these repayments were unaffordable and she shouldn't have been lent to. I've thought about what Ms O and Moneybarn have said.

The first thing for me to say is that bearing in mind the term of the agreement, its total cost and Ms O's previous difficulties with credit, I'm satisfied that Moneybarn needed to take further steps to ascertain Ms O's actual living costs, rather than assuming Ms O's living expenses in order for its checks to have been proportionate here. Moneybarn did not do this, so I'm satisfied that its checks before lending in this instance weren't proportionate.

At this point, given I've agreed that the checks weren't proportionate, I think that it might be helpful for me to explain that my conclusion that the Moneybarn didn't do enough to establish whether the repayments were affordable, doesn't, on its own, meant that Ms O's complaint should be upheld.

This is because we would usually only go on to uphold a complaint in circumstances where we are able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable. I therefore considered whether that is the case here.

As I've explained, given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Ms O's regular living expenses as well as her income and existing credit commitments. That said, I don't think that Moneybarn carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Moneybarn is still likely to have lent to Ms O even if it had asked her about her actual living expenses, rather than relying on statistical data.

I say this because the information Ms O has provided from the time does appear to show that when her discernible committed non-credit related regular living expenses and the credit commitments Moneybarn is likely to have known about are deducted from what it believed to be her income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I've noted that Ms O has now carried out a line-by-line analysis of her bank statements and says that these show she didn't have enough left over in her account each month in order to make these payments. The first thing for me to say is that Ms O's analysis appears to have been conducted using all her expenditure not just her committed expenditure. Secondly, Moneybarn only needed to ask Ms O more about her living expenses. This does not mean that it needed to review multiple months' worth of bank statements in the way that Ms O has done here. I'm afraid I don't agree that a lender is required to request bank statements in order for a reasonable assessment of affordability to take place.

I also have to consider Ms O's most recent submissions in the context of the finance explanation document that she electronically signed at the time of her application. This

document highlighted that Moneybarn's decision to lend was based on her having a monthly income of at least £3,100.00 and a total non-discretionary monthly expenditure of just under £1,800.00. Given Ms O signed this document, it's difficult for me to conclude that she would have volunteered that her living costs were significantly higher than this had she been asked more, when she didn't take any steps to correct the information Moneybarn was basing its assessment on.

So while I accept that Ms O's circumstances may have been worse than what Moneybarn finding out more about her living expenses would have revealed, I don't think that Moneybarn could have been expected to know this, or know about the typical end of month position on her account. This is especially as Moneybarn was reasonably entitled to rely on what it was led to believe Ms O's income was.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Ms O might have been unfair to Ms O under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Moneybarn irresponsibly lent to Ms O or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I think that Moneybarn ought to have applied a bit more scrutiny to the information it obtained and found out a bit more about Ms O before entering into this conditional-sale agreement with her, I'm satisfied that Moneybarn doing this won't have prevented it from providing these funds, or entering into this agreement with her.

So I'm not upholding this complaint. I appreciate that this will be very disappointing for Ms O. But I hope that Ms O will understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Ms O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or reject my decision before 9 February 2026.

Jeshen Narayanan
Ombudsman