DRN-6039475

## The complaint

Mrs T is complaining about Moneybarn No.1 Limited. She says they shouldn't have lent to her as the loan was unaffordable. A representative has raised the complaint on Mrs T's behalf but for ease I've written as if we've dealt directly with Mrs T.

## What happened

In May 2017, Mrs T took out a conditional sale agreement with Moneybarn to finance the purchase of a car. She paid no deposit and borrowed £4,200 - the cash price of the vehicle. The agreement required Mrs T to make 47 payments of around £173 per month. Mrs T made all her payments on time and settled the agreement in April 2021.

In October 2024, Mrs T complained to Moneybarn, saying they'd been irresponsible in lending to her. She said her credit history showed that she was struggling to meet existing credit commitments at the time Moneybarn lent to her. And she thought they'd failed to carry out appropriate checks and ensure the agreement would be affordable.

In response to Mrs T's complaint, Moneybarn said they'd checked her income against her payslips and done a full credit search with one of the credit reference agencies (CRAs). They said this showed Mrs T had a County Court Judgment (CCJ) and some defaulted accounts, both applied around 28 months prior. They also said it showed Mrs T's existing borrowing levels appeared affordable. So they didn't uphold her complaint.

Mrs T wasn't happy with Moneybarn's response so brought her complaint to our service and, having obtained consent from Moneybarn, one of our investigators looked into it. His view was that Moneybarn hadn't done enough checks – but the information he had suggested the agreement would have appeared affordable if Moneybarn had done more checks. So, our investigator didn't uphold the complaint.

Mrs T rejected our investigator's view. She reiterated that she'd struggled with her finances at the time of taking out the agreement. She asked for an ombudsman's decision – and also asked for more time to provide additional information about her financial situation at the time of the lending. She provided some additional information, and the matter came to me for a decision. I issued a provisional decision taking this additional information into account, and

> *<u>"Did Moneybarn carry out proportionate checks?</u>*
>
> *Moneybarn said they carried out the following checks:*
>
> - *reviewed Mrs T's credit file; and*
> - *verified her net monthly income using payslips, estimating it to be around £1,207.*
>
> *They said they then estimated Mrs T's disposable income would be 25% of her income, at just over £300 per month, and therefore decided that the agreement would be affordable for her.*
>
> *Whether or not these checks were proportionate depends on various factors, including the size and length of the loan, the cost of credit, and what Moneybarn found. This*

*agreement required Mrs T to pay Moneybarn over £8,000, over a period of four years, so my starting point is that the checks should have been thorough.*

*In addition, the information contained in Mrs T's credit report suggests she'd had significant difficulties with her debts around two to three years prior to their lending decision and hadn't satisfied either the CCJ or the default. This, together with the size of the loan, means it wasn't enough for Moneybarn to rely purely on the income check and credit file check. Reasonable and proportionate checks would have meant finding out more about Mrs T's financial circumstances to see if the repayments would be affordable for her.*

*Concluding that Moneybarn should have done more checks isn't enough for me to uphold Mrs T's complaint – I also have to consider whether Moneybarn could have fairly lent to Mrs T if they had done proportionate checks.*

*<u>What would Moneybarn have found if they had done proportionate checks?</u>*

*I've reviewed the bank statements Mrs T has sent us – these comprise the statements from her personal account in the months leading up to Moneybarn's lending decision, and extracts from her joint account statements. Unfortunately, the statements from the joint account are incomplete. But I'm inclined to say I have enough information to conclude that Moneybarn would have been able to fairly decide this agreement would be affordable for Mrs T – I'll explain why.*

*The statements for Mrs T's personal bank account show her salary was paid into this account, along with child benefit payments. On average, she spent around £750 per month on regular and non-discretionary expenditure - including food, fuel, water, and regular transfers to a third party. She also transferred some funds to the joint account with her husband at the time. These were irregular, with no clear pattern, but averaged around £220 per month in the three months leading up to the lending decision. And she withdrew significant sums in cash, again with no clear pattern.*

*I've considered whether those cash withdrawals would have been for essential spending, and therefore whether Moneybarn would have factored them in to a reasonable estimate of Mrs T's expenditure. But I can see that most bills were paid from the joint account – there were regular payments for council tax, energy, phone bills, car running costs, and also regular payments that were likely to cover rent. So, whilst I'm not sure what the cash withdrawals were for, I'm not persuaded Mrs T would have told Moneybarn about them if they'd asked her about her spending as part of a more detailed income and expenditure assessment.*

*Instead, based on what I've seen, I think it's likely Mrs T would have told Moneybarn she spent around £750 per month on household expenses and contributed to some others via the joint account on an ad hoc basis. Deducting the £750 from Mrs T's monthly net income of around £1,200 would have left her with disposable income of around £450 per month. On that basis, the repayments needed for this agreement, of around £173 per month, would have appeared readily affordable for Mrs T. And she'd have been able to continue making at least the same contributions to the joint account as she had over the preceding three months.*

*In summary, then, the evidence I've seen suggests that if Moneybarn had conducted reasonable and proportionate checks, they'd have been able to fairly decide the lending would be affordable for Mrs T. On that basis I'm not inclined to uphold her complaint. I appreciate she later separated from her husband, and her financial circumstances would have changed significantly as a result. But I can't say this would have been foreseeable* *for Moneybarn. And so I've based my findings on Mrs T's circumstances at the time she applied for the lending.*

*<u>Have Moneybarn acted unfairly in any other way?</u>*

*I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't say Moneybarn lent irresponsibly to Mrs T or otherwise treated her 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."*

Moneybarn didn't reply to my provisional decision but Mrs T did. She said cash withdrawals should be considered part of her essential spending, noting that a review of her bank statements for April 2017 showed very little card spending on food and fuel.

## 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 persuaded to change my mind. When I carried out my review of Mrs T's income and expenditure, I took a holistic approach rather than calculating a strict mathematical average. I'm satisfied the figures I came to were a reasonable reflection of Mrs T's spending on essentials at the time. So I'm not upholding Mrs T's complaint.

## My final decision

As I've explained above, I'm not upholding Mrs T's complaint about Moneybarn No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 19 January 2026.

Clare King
**Ombudsman**