

Complaint

Mr M complains that Moneybarn No.1 Limited (trading as “Moneybarn”) unfairly entered into a conditional sale agreement with him. He’s said that the proper checks weren’t carried out and he was provided with finance that was unaffordable.

Background

In May 2024, Moneybarn provided Mr M with finance for a used car. The purchase price of the car was £10,589.00. Mr M didn’t pay a deposit and entered into a 60-month conditional sale agreement with Moneybarn for the entire amount of the purchase. The loan had interest, fees and total charges of £6,000.03 and the total amount to be repaid of £16,589.03 was due to be repaid in 59 monthly instalments of £281.17.

Mr M’s complaint was considered by one of our investigators. He reached the conclusion that Moneybarn hadn’t done anything wrong or treated Mr M unfairly. So she didn’t recommend that Mr M’s complaint should be upheld.

Mr M disagreed with our investigator and the complaint was 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 Mr M’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr M’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 any lending was sustainable for Mr M before providing it.

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 Mr M provided details of his monthly income, which it cross checked against information of credit reference agencies on the

amount of funds going into Mr M's main bank account. It says it also carried out credit searches on Mr M which showed that Mr M didn't have any county court judgments ("CCJ") obtained against him but he did have an account that had defaulted just over five years prior to this application.

In Moneybarn's view, when reasonable repayments to the credit commitments Mr M already had are combined with estimates of his living costs and then deducted from his income, he had enough left over to be able to make the monthly repayments to this agreement. On the other hand, Mr M says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr M and Moneybarn have said.

The first thing for me to say is that I don't think it was reasonable for Moneybarn to have relied on an estimate of Mr M's living costs given the cost of the credit, his previous difficulty, the length of the term and the monthly repayments. In my view, Moneybarn's failure to obtain the details of Mr M's actual living costs means that the checks it carried out weren't reasonable and proportionate.

As Moneybarn didn't carry out sufficient checks, I've gone on to decide what I think Moneybarn is more likely than not to have seen had it obtained further information from Mr M. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected Moneybarn to have had a reasonable understanding about Mr M's regular living expenses as well as his income and existing credit commitments.

However, the information Mr M has provided does not appear to show that using Mr M's actual discernible living expenses would have shown that he did not have the funds to sustainably make the repayments due under this agreement. So the available evidence suggests to me that Moneybarn is unlikely to have a different decision on lending, even if it had carried out further checks.

I appreciate that Mr M says that a forensic analysis of his finances makes it clear that his expenditure exceeded his income and so he shouldn't have been lent to. However, Moneybarn wasn't advising Mr M on the suitability of purchasing the car he'd chosen, or carrying out a detailed review of his finances. The regulatory rules and provisions in place simply don't require that such an analysis takes place in advance of a lender agreeing to lend.

All Moneybarn had to do was consider the likelihood that when Mr M's existing credit commitments and committed expenditure were deducted from his income he would have enough left over to make the repayments required to this agreement. While Mr M may consider such an assessment to be superficial, I'm nonetheless satisfied that such an assessment is more likely than not to have shown that the monthly payments were affordable for him.

I've also noted that Mr M has referred to his overdraft usage as part of his reasoning on why he believes his complaint should be upheld. However, this isn't a complaint about Mr M's overdraft. It's about a conditional sale agreement that he was, at the time of his complaint at least, making his repayments to.

I'd also add that there isn't a prohibition on entering into a conditional sale agreement with a customer that is using an arranged overdraft. After all, it is a credit facility that they have an arrangement to use. So if Mr M is unhappy with being allowed to use his overdraft in the way that he was able to, this is a matter that he needs to take up with his bank, rather than Moneybarn.

I also have to keep in mind that Mr M's most recent submissions are being made in support of a claim for compensation and any explanations Mr M would have provided at the time are more likely to have been with a view to persuading Moneybarn to lend, rather than highlighting any unaffordability. In these circumstances, I think it's unlikely and certainly less likely than not that he would have volunteered that he shouldn't have been lent to because he had been using his arranged overdraft.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Mr M might have been unfair to Mr M 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 Mr M or otherwise treated him 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. So I'm not upholding this complaint.

Overall and having carefully considered everything, while I think that there is an argument for saying that Moneybarn's checks before entering into this conditional sale agreement with Mr M didn't go far enough, I'm satisfied that it doing more won't have stopped it from providing these funds, or entering into this agreement with Mr M. So I'm satisfied that Moneybarn didn't act unfairly towards Mr M when it agreed to provide the funds.

I appreciate that this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 February 2026.

Jeshen Narayanan
Ombudsman