

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 August 2022, Moneybarn provided Mr M with finance for a used car. The purchase price of the car was £6,794.00. Mr M paid a deposit of £844 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £5,950.00 he required to complete his purchase. The loan had interest, fees and total charges of £5,067.66 and the balance to be repaid of £11,017.66 (which doesn’t include Mr M’s deposit) was due to be repaid in 59 monthly instalments of £186.74.

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 he 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 from credit reference agencies on the amount of funds going into Mr M's main bank account each month. It says it also carried out credit searches on Mr M which showed that Mr M had at least one county court judgment ("CCJ") taken out against him as well as defaulted accounts.

In Moneybarn's view, when reasonable repayments to the credit commitments Mr M already had were 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 while Moneybarn did use estimates of Mr M's living costs, the basis of these estimates were set out on the explanation document that Mr M electronically signed. Indeed, I can see that the explanation document set out that the income and expenditure assessment was being conducted on the basis of having a monthly income of £1,240.00 and a total non-discretionary monthly expenditure of £691.11.

Although I do accept that while Mr M was told that the estimate of his non-discretionary expenditure was made up of estimate of his housing, utility, council tax, other living and monthly vehicle costs there weren't breakdowns for these individual components. In my view, for Moneybarn's checks to have been proportionate, it probably should have broken down the estimates in this way.

I appreciate that Mr M now says that when a forensic analysis of his finances is completed it is clear that his expenditure exceeded his income. However, this is an argument made after reviewing bank statements. Moneybarn didn't have all this information and I wouldn't expect it to have requested this either.

More importantly, Mr M's breakdown includes more than just his committed expenditure. So I'm not persuaded that this is reflective of what he would have declared if asked for further information. This is especially as the explanation document clearly stated that Mr M should not enter into the agreement if his expenditure was higher.

As I've said, I appreciate that Mr M now says that his finances were worse than what Moneybarn believed. Nonetheless, I also need to keep in mind that it was Mr M that chose to purchase a car at the time that he did. Mr M electronically signed documentation confirming that he had monthly expenditure of around £700. In these circumstances, it's difficult for me to agree that Moneybarn asking Mr M to confirm what he spent on housing, utility, council tax, other living and monthly vehicle costs, as I think it should have done, would have led to Mr M saying that he spent in excess of £2,000.00 on this in the way he now says.

Indeed, looking at what Mr M was committed to paying towards his living expenses and adding this to what Moneybarn knew about his credit commitments, once this was deducted from his income, it seems to me that he did have enough to make his payments to this agreement.

So, in my view, Moneybarn doing more in this instance is unlikely to have resulted in taking a different decision on lending to Mr M. I appreciate that Mr M may now regret entering into this conditional sale agreement. However, I'm afraid that I can't hold Moneybarn responsible for the fact that it reasonably relied on Mr M suggesting that he was in a better financial position than he may have been in.

As this is the case and while I appreciate that Mr M may disagree, I don't think that the fact that Mr M may have found it more difficult than he expected to make his payments in itself means that Moneybarn shouldn't have lent to him.

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.

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. And I'm not upholding this complaint. 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 9 March 2026.

Jeshen Narayanan
Ombudsman