

## The complaint

With the help of a professional representative (PR) Mr R complains that Moneybarn No.1 Limited trading as Moneybarn lent to him irresponsibly. For ease, I'll refer mainly to the actions of the PR as being those of Mr R.

## What happened

On 24 January 2019, Mr R applied for and was given, a Hire Purchase agreement (HP) with Moneybarn to acquire a new car. It was agreed on the following terms:

Date	Cash price	Deposit	Amount of credit	Term	Monthly repayment	Total payable
24 Jan 2019	£8,794	£1,150	£7,644	31 months	£372.64	£12,329.20

While there were some late and missed payments along the way which led to Mr R paying around £410 per month for the last year or so, he repaid the agreement in full and on time on 23 June 2021.

On 4 April 2024, Mr R complained to Moneybarn with the help of his PR. He said Moneybarn had failed to conduct a reasonable creditworthiness and affordability assessment before agreeing the HP which led to his financial situation worsening. To resolve the complaint, he requested a refund of all interest and charges he'd paid, along with compensatory interest and £100 compensation for distress and inconvenience.

I don't have a copy of Moneybarn's response to the complaint, but I can see from the contact notes it's provided, that a final response was issued. Mr R didn't accept Moneybarn's response so he referred his complaint to our service. One of our investigator's looked into it. He felt Moneybarn's checks were reasonable, but that it ought to have refused to lend to Mr R. He reached this conclusion as Mr R had defaulted on another agreement just two months previous to this application. So our investigator upheld the complaint and explained to both parties how he felt it should be resolved.

Mr R accepted our investigator's recommendation, but Moneybarn didn't. It said it is a 'sub-prime lender' and takes the view that *"defaults and historic or ongoing poor money management are not indicative of a lack of funds to pay the agreement"*. It said as Mr R was living with his parents, his outgoings were likely to be significantly less than someone living independently. Moneybarn felt its checks were reasonable but said if Mr R could supply his bank statements for review, it would reconsider its decision.

This didn't persuade our investigator to change his view, so as there was no agreement, the complaint has been passed to me for a decision.

## 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 – and requested further information from Mr R - I've reached a different conclusion from that of our investigator. I issued a provisional decision saying:

*“We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.*

*Moneybarn needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr R irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:*

- *Did Moneybarn carry out reasonable and proportionate checks to satisfy itself that Mr R was in a position to sustainably meet the repayments?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Moneybarn make a fair lending decision?*
- *Did Moneybarn act unfairly or unreasonably towards Mr R in some other way?*

*Moneybarn had to carry out reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the HP sustainably. It's not about it assessing the likelihood of it being repaid (sometimes referred to as credit risk), but it had to consider the impact of the repayments on him (affordability risk). There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the HP, the amount of the repayments and the overall circumstances of the borrower.*

*When Mr R applied for the HP, he told Moneybarn he was employed full time earning £1,500 a month and was living with parents. He said he was able to pay a deposit of £1,150 towards the car. Moneybarn took that information and estimated his expenditure as being £427 per month. It based this on statistical data provided by the Office of National Statistics (ONS) and included some contributions to council tax and utilities.*

*Moneybarn also reviewed Mr R's credit file. It saw he had £560 on revolving credit (credit or store card) and £5,500 non-revolving (loan, HP and the like) and was up to date on payments to those which came to £202 per month. It noted that he had two accounts which had defaulted with a combined balance of £700, which had reduced to £600. The most recent default had occurred two months before this application.*

*Moneybarn took the figures provided - £1,500 income and expenditure of £629 (£427 from ONS and £202 from his credit file) to produce a monthly disposable income for Mr R of £871. It deducted a further £53 as a buffer for unexpected expenses leaving a disposable income of £818 from which to meet the repayments of £373 to this HP. Moneybarn felt this showed the HP was affordable for Mr R.*

*Our investigator felt Moneybarn had gathered enough information to consider Mr R's ability to repay the HP which I agree with. Given that Mr R was living with his parents, his expenditure is likely to be lower than many consumers. But while it recorded his housing costs as zero, it still set aside £190 or so towards council tax and utilities which I think is reasonable.*

*But our investigator felt the recent default was a sign of financial difficulty which ought to have caused Moneybarn to refuse the lending. While it didn't agree with our investigator, Moneybarn said it would review the situation if it received Mr R's bank statements from the time.*

*I asked Mr R's PR to provide the statements (and some other questions) and had planned to*

*send them to the business to review. I gave several extensions to deadlines to allow them to provide the information. They have now sent us some information, but it is incomplete as it doesn't include account balances or accounts between which Mr R transferred money. So I don't feel we have the full picture of Mr R's financial circumstances.*

*I have looked at the transaction detail provided and can see the majority of his expenditure was discretionary – eating out, shopping and other entertainment – and he largely spent what he earned. I don't think that's unusual for someone of his age living with parents. But I don't think this means he was in financial difficulty or was unable to afford the HP.*

*Mr R has told us the deposit of £1,150 “was paid out of money earned in wages”. Given he earned £1,500 per month, it is evident that he had been able to save in the lead up to this application, and that he had the money to have cleared the defaulted accounts if he'd wished to do so.*

*So all things considered, even if Moneybarn had asked further questions of Mr R (and I'm not persuaded it needed to) I think it would have been likely still to consider the agreement was affordable for him.*

*I've thought carefully about whether the presence of a recent default meant Moneybarn ought to have refused to lend, but I don't think it does. Moneybarn's credit check showed Mr R had experienced difficulties with credit previously. However, the credit search also showed that his existing credit was up to date and affordable for him. Ultimately, it was up to Moneybarn to decide whether it wished to accept the credit risk of taking on Mr R as a customer, provided it was reasonably entitled to believe that the HP was affordable and unlikely to cause harm to him going forward.*

*Moneybarn's affordability checks showed the HP to be reasonably affordable for him as set out above, based on what he'd told it and it knew / found out at the time. As a sub-prime lender, it was satisfied with the credit risk presented by the recent default and took the view that it was prepared to lend. I think it was entitled to reach that view and it made a fair decision to lend when it did so.*

*Did Moneybarn act unfairly or unreasonably towards Mr R in some other way?*

*I've carefully reviewed all the information and evidence provided by each party to this complaint. This includes notes provided by Moneybarn of contact between the two and a statement of the HP account.*

*I can see that Mr R did miss the occasional payment but this was usually corrected within a couple of days. By March 2020, some arrears had built up which Mr R attributed to being in and out of work and some bereavements over Christmas. Moneybarn worked with him to agree a repayment plan which Mr R largely stuck to, and he was able to repay the agreement on time. I don't think Moneybarn has treated him unfairly in some other way.*

*For the reasons I've already given, I don't think Moneybarn lent irresponsibly to Mr R or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here.”*

Moneybarn hasn't replied to my provisional decision, but Mr R has. He said (in summary):

- the management of existing credit accounts should be a material factor in determining if a consumer should be provided with lending;
- Moneybarn's status as a sub-prime lender is just “an excuse to provide irresponsible lending”; and

- he disagreed with my commentary around his expenditure, the deposit he paid for the vehicle and the transaction detail provided in lieu of bank statements.

The regulations lenders must follow are set out in the Consumer Credit sourcebook (CONC). CONC 5.2A.10 says a lender must consider *“the risk that the customer will not make repayments under the agreement by their due dates (this is sometimes referred to as credit risk); and the risk to the customer of not being able to make repayments under the agreement in accordance with CONC 5.2A.12R (referred to as ‘affordability risk’ in this section).”*

Businesses are able to determine their own appetite for credit risk – that is the risk to themselves that a consumer will not pay back what they’ve lent. But they must conduct a creditworthiness assessment to satisfy themselves that the agreement is affordable for the consumer to mitigate the risk of financial difficulties.

As I said in my decision - in contrast to some other lenders - Moneybarn is prepared to lend to people who have experienced issues with their finances previously. Its’ website says, *“1 in 5 of UK adults who have a poor credit history...need a reliable vehicle to suit their lifestyle and financial situation”*. So Moneybarn is prepared to take more credit risk than some other lenders which may refuse to lend to people who have any adverse information on their credit file. Moneybarn says it bases its’ lending decision on what an individual can reasonably afford to repay.

I don’t think this is an excuse to provide irresponsible lending as Mr R has said. As Moneybarn has said, often people with poor credit need a car for work or family reasons but are unable to get finance from mainstream lenders. If those people are unable to get to work for instance – perhaps due to living in remote areas – their financial situation could become even more strained.

As I’ve said above, Mr R had two defaults – one of which was recent to the application. The total value of the defaults was £700, and he was making payments to them as shown by the balance being lower than the defaulted amount. Moneybarn was entitled to take the view that it was prepared to lend to Mr R taking into account the information on his credit file.

I’ve looked again at the affordability side of Mr R’s application. As I noted above, he was living with his parents at the time and earning around £1,500 per month. Moneybarn used estimates of his expenditure (as CONC allows) but also factored in some household expenses despite his living situation. I think that was reasonable and it reached a fair decision to lend to Mr R.

I only asked Mr R’s PR for statements as I noted that Moneybarn had offered to review its decision if it received them. As I said in my decision, despite allowing extra time for the provision of the information, what the PR provided was limited as it didn’t include balances or all of Mr R’s accounts.

The PR has argued that the balance of the account was inconsequential, but I don’t agree. The balance of the account is a key piece of information and provides context for the transactions. The other accounts are also important as, for example, Mr R said he paid the deposit from his savings. We can see transactions from his current account to others in his name but have no detail of what that money was used for or if they were savings. So I don’t accept the comments of Mr R’s PR regarding his expenditure or statements. Mr R told us himself that he paid the deposit from money he earned, so it is evident that he had been able to save the money from his wages.

As I don’t have full details of Mr R’s financial situation – despite asking for the evidence and

providing more time - I don't have enough information to say that Moneybarn lent unfairly to Mr R. Having considered his comments in response to my provisional decision, I'm not persuaded to change the outcome.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 9 March 2026.

Richard Hale  
**Ombudsman**