

Complaint

Miss B complains that Moneybarn No.1 Ltd (“Moneybarn”) unfairly entered into a conditional-sale agreement with her. She’s said the agreement was unaffordable for her and so she shouldn’t have been lent to.

Background

In September 2022, Moneybarn provided Miss B with finance for a used car. The cash price of the vehicle was £8,995.00. Miss B paid a deposit of £1,400.00 (which was made up of a cash payment of £1,200.00 and a part exchange of £200 that Miss B received for her previous vehicle) and entered into a 58-month conditional sale agreement with Moneybarn for the remaining £7,595.00 she needed to complete her purchase.

The loan had interest, fees and total charges of £5,817.10 and the balance to be repaid of £13,412.80 (which doesn’t include Miss B’s deposit) was due to be repaid in 57 monthly instalments of £235.30.

Miss B’s complaint was considered by one of our investigators. She didn’t think that Moneybarn had done anything wrong or treated Miss B unfairly. So she didn’t recommend that Miss B’s complaint should be upheld.

Miss B 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 Miss B’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss B’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 Miss B 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 Miss B. During this assessment, Miss B provided details of her monthly income which it cross checked against information from credit reference agencies on the amount of funds going into Miss B main bank account each month.

Moneybarn has also said that it carried out credit searches on Miss B. These showed that Miss B didn't have any recent significant adverse information – such as defaulted accounts or county court judgments – recorded against her.

In Moneybarn's view, when reasonable repayments to the amount Miss B already owed plus a reasonable amount for Miss B'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, Miss B says that this agreement was unaffordable and two other lenders had already recognised this was the case as they had declined applications for finance from her.

I've thought about what Miss B and Moneybarn have said.

The first thing for me to say is that there is a reasonable argument for saying that the checks Moneybarn carried out before lending to Miss B were reasonable and proportionate. In any event, even if I were to say that Moneybarn needed to do more here, the absolute most I would have expected it to have done was have a reasonable understanding about Miss B's actual regular living expenses.

Having considered the information Miss B has provided, it appears to show that when her actual committed regular living expenses are added to what Moneybarn knew about her existing credit commitments and then deducted from what it was led to believe her income was, there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due under this agreement.

I've noted that Miss B has now said that the information Moneybarn gathered at the time of her application and may not have been accurate. For example, Miss B has said she was working part time, in receipt of benefits and her income was limited and variable as a result. I've thought about what Miss B has said and the first thing for me to say is that Moneybarn didn't simply rely on what Miss B had said about her income.

Indeed, it cross-checked what Miss B had declared about her income against information from credit reference agencies on the amount of funds going into her main bank account each month, which suggested that Miss B's declaration was plausible. This is a method of checking income that is permitted by the regulator's rules and guidance and in these circumstances, I don't think that it was unreasonable for Moneybarn to have used it here.

Furthermore, I can also see that Miss B electronically signed an explanation document where Moneybarn set out that it assessed affordability on the basis that Miss B was in receipt of at least £2,700.00 each month. Given all of this, it difficult for me to say that it was unreasonable for Moneybarn to have relied on Miss B's declaration of income. This is especially as Miss B's payment of a £1,200.00 cash deposit also supported her having funds.

I also have to keep in mind that Miss B's most recent submissions are being made in support of a claim for compensation and any explanations Miss B 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.

Bearing in mind all of this, I think that it is unlikely – and certainly less likely than not – that Miss B would have volunteered that she shouldn't have been lent to as her expenditure exceeded her income in the way she now argues, had Moneybarn asked or found out more about her regular living expenses.

I've also noted what Miss B has said about having been declined by two other lenders prior to Moneybarn accepting this application. However, it is fair to say that Moneybarn is more prepared to lend to customers that find it more difficult to borrow from more mainstream lenders. Furthermore, as I've found proportionate checks would more likely than not have shown the payments to this agreement were affordable for Miss B, I don't think it was unfair for Moneybarn to have lent simply because the main lenders that the dealership Miss B used had access to, might have declined to lend to her.

Finally, I've noted that Miss B has said that the full financial implications of the agreement weren't explained to her. However, the information on the total cost of credit, the monthly payment and the term of the agreement that I set out in the background section of this final decision are taken directly from the agreement Miss B signed.

Miss B was notified that she would have to pay £235.30 for 57 months which meant that she'd repay a total of £14,812.10 (including her deposit). As this is the case, I'm satisfied she was provided with sufficient information on the costs of this agreement and more importantly enough information for her to decide whether she wished to go ahead with the transaction on this basis.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Miss B might have been unfair to Miss B 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 Miss B 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 there is an argument for saying that Moneybarn ought to have found out a bit more about Miss B 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 Miss B. However, I've explained, why I think that proportionate checks won't have prevented Moneybarn from lending to her in this case. So I hope that Miss B 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 Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 15 April 2026.

Jeshen Narayanan
Ombudsman