

Complaint

Mr B complains that Moneybarn No.1 Limited (“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 June 2019, Moneybarn provided Mr B with finance for a used car. The purchase price of the car was £12,289.00. Mr B paid a deposit of £1,000.00 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £11,289.00 he required. The loan had interest, fees and total charges of £11,167.58 and the balance to be repaid of £22,456.58, which does not include Mr B’s deposit, was due to be repaid in 59 monthly instalments of £380.62.

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

Mr B 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 B’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr 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 any lending was sustainable for Mr B 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 B provided details of his monthly income, which it cross checked against information from credit reference agencies on the amount of funds going into his main account each month. It says it also carried out credit searches on Mr B which showed that Mr B's most recent defaulted account was eight months prior to this application and that he had no county court judgments ("CCJ") recorded against him.

In Moneybarn's view, when reasonable repayments to the low amount of active credit commitments Mr B 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 B 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 B and Moneybarn have said.

The first thing for me to say is that I don't think that the checks Moneybarn carried out did go far enough. I don't think it was reasonable to rely on an estimate of Mr B's living costs given the adverse information on his credit file. As this is the case, I'm not persuaded that the checks Moneybarn carried out, were reasonable and proportionate.

As Moneybarn didn't carry out sufficient checks, I've gone on to decide what I think it is more likely than not to have seen had it obtained further information from Mr B. 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 B's regular living expenses as well as his income and existing credit commitments.

The information Mr B has provided does appear to show that when his discernible committed regular living expenses and existing credit commitments were deducted from the amount he received each month, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I've noted what Mr B has said about borrowing from family members and gambling. However, Moneybarn didn't know about this or the medical condition Mr B has referred to having either. Equally, as Moneybarn wasn't required to request bank statements from Mr B either, I don't think that it could possibly be expected to know about Mr B's gambling or him borrowing from family members either. Indeed, any family borrowing would not have shown up on the credit checks carried out either.

I also think that it is worth keeping in mind that Mr B's most recent submissions are being made in support of a claim for compensation and any explanations he would have provided at the time are more likely to have been with a view to persuading Moneybarn to lend to him, rather than highlighting any unaffordability. And I don't think Mr B would have sought to have highlighted his borrowing from family or gambling, if Moneybarn had sought to obtain further information on his actual living expenses. In these circumstances, while I sympathise with what Mr B has said, I don't think that this means it was unfair for Moneybarn to have lent to him.

In reaching my conclusions, I've also considered whether the lending relationship between Moneybarn and Mr B might have been unfair to Mr 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 Mr B 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 B 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 B. So I'm satisfied that Moneybarn didn't act unfairly towards Mr B when it agreed to provide the funds.

I appreciate that this will be very disappointing for Mr B. 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 B's complaint.

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

Jeshen Narayanan
Ombudsman