

The complaint and what happened

Miss L complains that MONEYBARN NO.1 LIMITED, trading as Moneybarn, lent to her irresponsibly and without carrying out proper affordability checks. She would like all the interest and charges associated with the conditional sale agreement refunded, and any adverse information removed from her credit file. She has also raised concerns about hidden charges linked with the agreement.

I've included relevant sections of my provisional decision from March 2026, which form part of this final decision. In my provisional decision I set out the reasons why I was planning to uphold this complaint. In brief that was because I thought the checks Moneybarn carried out ought to have led it to conclude that this borrowing was not affordable and sustainable for Miss L.

I asked both parties to let me have any more information they wanted me to consider. Moneybarn did not respond, and Miss L accepted my outcome.

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, I'm upholding it, and I'll reiterate why, but first I've included here the relevant sections of my provisional decision:

“What happened

In February 2018 Moneybarn approved a conditional sale agreement for Miss L, which was used to buy a car. The lending was scheduled to be repaid at approximately £270 per month over a term of 60 months. Miss L struggled to make repayments at several points over the life of the agreement, but it appears that it was ultimately settled in July 2023.

The investigator looked at the evidence and thought Moneybarn hadn't done anything wrong in approving the agreement. Miss L disagreed and asked an ombudsman to look at her complaint.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to provisionally decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I'm currently planning to uphold it, and I'll explain why. Before I do, I want to acknowledge that I consider this complaint to be particularly finely balanced.

Moneybarn is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook (“CONC”), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Miss L would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that she could manage the repayments,

“...without...incurring financial difficulties or experiencing significant adverse consequences”

Essentially, she needed to be able to meet her financial commitments and not have to borrow elsewhere to repay Moneybarn for the conditional sale agreement to be considered affordable and sustainable.

There are two questions I need to consider when deciding this case, which I will deal with separately below.

Did Moneybarn carry out proportionate checks before granting this borrowing?

Moneybarn no longer has full information relating to this application, specifically in terms of what the credit check it completed showed. However, it's clear that Moneybarn verified Miss L's income; asked her a few basic questions; and that it completed a basic form of income and expenditure (I&E) assessment.

Miss L argues that her credit record was not good, and that should have prompted Moneybarn to carry out some investigation into her monthly expenditure. (It did not seemingly ask any questions or record any information about her expenditure.) Moneybarn says it had no indication of any difficulties and that Miss L had told it that she lived at home with parents. So, it was enough for it to see some pay slips and ensure that Miss L had the income she had declared. It concluded that the proposed repayment equated to less than 25% of Miss L's monthly income, and ought therefore to have been affordable.

Both parties make valid points here, and I have considered this question very carefully. Overall, I have provisionally concluded that Moneybarn did not carry out proportionate checks, and ought to have done more. I say so because:

- Whilst theoretically Miss L had over £1,000 per month for expenditure, after she made this proposed repayment, that isn't a particularly large amount. Even if someone is not themselves a householder. In saying that, I can see Moneybarn was aware that she had other debts, albeit not with large monthly repayments. And of course they knew she would need to meet the costs of running a car, even before considering any housing, food or other basic bills.*
- The repayment did represent a reasonable proportion of Miss L's monthly income, which wasn't particularly high.*
- The agreement was to last for five years – so Moneybarn needed to think about the sustainability of the repayment over that term.*
- Moneybarn was aware that Miss L had two defaulted accounts on her credit file. I acknowledge that they were essentially historic by 2018, but also that they remained unsettled – despite only having started out at £300. This is a significant red flag for potential affordability issues.*

So, although Miss L had told Moneybarn that she lived with family, and may not therefore have had any priority bills in her name, on balance, I think Moneybarn knew enough to identify potential affordability issues over the five-year term of this borrowing.

Miss L is unable to provide her credit file from the time of this lending decision – because it happened more than six years ago. So, I've been unable to use that to consider what Moneybarn's checks may have shown. But she has provided me with a copy of an email from another lender from January 2018 informing her that it was reducing her available credit to a low level to help keep borrowing affordable for her.

In the round, on the balance of probabilities, I don't think it is likely that the results of Moneybarn's credit check would have been reassuring and would have removed the need for further questions to be asked.

What would Moneybarn have likely found, and what ought it to have concluded, had it

carried out proportionate checks?

When considering this second question, our service has had the benefit of several months of bank statements from Miss L's two current accounts to review. I accept that there was and is no requirement on a lender to obtain any particular type of information: they are permitted to source and rely on a range of evidence when assessing affordability, and so Moneybarn could have opted to gather more information about Miss C's financial position in a range of ways. It was under no obligation to review Miss C's bank statements and could have looked further at this application without asking for such evidence.

However, the fact remains that it didn't, and, in the absence of anything else provided, I'm happy to rely on the statements to demonstrate what Moneybarn would most likely have discovered if it had completed proportionate checks.

In summary, the statements show that Miss L was entirely unable to live within her means. She has confirmed that a lot of her monthly expenses, such as rent to her mother, and topping up the electricity account, were carried out in cash. I can see that she was regularly withdrawing large amounts of cash, in addition to transferring money between accounts in order to try and avoid or minimise going into unauthorised overdrafts.

She also seems to be reliant on regular transfers from friend or family members, on top of borrowing from high-cost short term credit providers. For example, in October, November and December 2017, I can see that within just a few days of receiving her salary, Miss L had no money left and was reliant on transfers from others in order to live.

In the round, I cannot see how any further checks or questions Moneybarn could have asked (not just reviewing bank statements) would have led it to conclude that Miss L would not need to borrow elsewhere in order to meet the monthly repayments on this agreement. As explained, borrowing to meet repayments would not be affordable and sustainable for Miss L, bearing in mind the regulations in force at the time. So it follows that I plan to uphold this complaint.

Miss L's concerns about commission

Miss L has also raised concerns about "hidden charges" attached to this agreement, potentially through commission paid by Moneybarn to the broker.

However, what I'm directing Moneybarn to do to put things right for Miss L effectively places her in the position she would now be in had her conditional sale agreement never existed. As this is the case, I don't think there is any need for me to look at the complaint about commission as it wouldn't make a difference to the overall outcome."

As mentioned above, Moneybarn has not responded to my findings, and Miss L has accepted them. Therefore I have seen nothing which alters my findings as set out in my provisional decision. And so it follows that I uphold this complaint.

Putting things right

In order to put things right for Miss L, Moneybarn must put her in the position where she has paid only the original cash price for the car, namely £8,250.00. It would appear from the documentation that the car was paid for entirely through this conditional sale agreement, i.e. Miss L did not pay a cash deposit. So that means that Moneybarn needs to do the following:

- A) Refund any payments Miss L has made in excess of £8,250.00.
- B) Add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- C) remove any adverse information recorded on Miss L's credit file in relation to this conditional sale agreement.

*HM Revenue & Customs requires Moneybarn to deduct tax from this interest. It should give Miss L a certificate showing how much tax it's deducted, if she asks for one

My final decision

For the reasons I've explained, I uphold this complaint and Moneybarn No.1 Limited must put things right as set out above

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 12 May 2026.

Siobhan McBride
Ombudsman