

complaint

Miss P complains that Moneybarn No. 1 Limited (“Moneybarn”) were wrong to provide her with credit as it was unaffordable.

background

Miss P took out a conditional sale agreement with Moneybarn in October 2015. The total amount payable was £30,398.07 and Miss P was responsible for making an advanced payment of £1,150 and 59 monthly repayments of £495.73. She says Moneybarn shouldn't have lent her the money as the repayments were unaffordable to her.

Moneybarn provided their final response to Miss P in June 2018. They didn't agree that they'd had evidence the loans weren't affordable and they said the checks they'd done were sufficient. They explained that they'd requested, and checked; income details and this suggested Miss P had an average income of £2,034.80 per month. They said they also checked her indebtedness and payment history and no concerns were noted.

But Miss P disagreed with Moneybarn and she therefore referred her complaint to this service and our investigator provided her opinion. She thought the checks that Moneybarn had completed were not proportionate to the amount being loaned. She didn't think Moneybarn had checked Miss P's expenditure and she thought, if they had, they would have understood that she couldn't afford the loan. She explained that whilst the business had reviewed Miss P's credit file this only showed part of her expenditure and a deeper analysis was necessary to understand if the loan was affordable. She noted that Miss P's expenses would have been about £1,026 and adding the loan would therefore have meant she had only just over £500 per month to cover utility bills; food; travel and child expenses. She didn't think it was reasonable to suggest there was sufficient disposable income. She also noted that Miss P was in arrears on both her rent and mortgage for a few months prior to the loan being approved and she thought if the business had done enough checks they would have seen that Miss P couldn't afford it.

So the investigator thought that to put things right Moneybarn should refund all interest and charges that Miss P had paid on the loan, adding interest. She also thought they should write off any unpaid interest and charges on the loan and apply that refund to reduce any capital outstanding.

But Moneybarn disagreed. They said the arrears wouldn't have been visible to them at the time and they insisted their assessment had been proportionate and sufficient.

my findings

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

I agree with the investigator's view. Please let me explain why.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on

board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Since 1 April 2014 the rules and guidelines have been the chapter on responsible lending in the Financial Conduct Authority's *Consumer Credit Sourcebook* (chapter 5). These regulations say that a lender must consider the customer's ability to make repayments as they fall due, but they also say that affordability checks should be proportionate. What is considered proportionate depends on factors such as the size of the loan, the amount of the repayments, and what Moneybarn knew about Miss P and about her circumstances.

Moneybarn asked for details of Miss P's income and they checked this against her payslips. They also looked at her credit file and they've explained that they wouldn't have extended credit if the repayments represented more than 25% of her income. The monthly repayment was very close to 25% of Miss P's income and I think it's fair to suggest that Moneybarn should've carried out further checks to assure themselves about affordability.

But they didn't ask for information about her expenditure and if they had, as the investigator has set out and I've summarised above, they would have realised the loan wasn't affordable as the outgoings were significant and disposable income limited.

my final decision

For the reasons I've given above I uphold this complaint and tell Moneybarn No. 1 Limited to:

- refund all interest and charges that Miss P paid on the loan and add 8% simple interest per annum from the date of payment to the date of settlement
- write off any unpaid interest and charges and apply the refund to reduce any capital outstanding and pay the balance to the consumer
- remove any negative information that may have been reported to the credit reference agencies about this loan

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 28 July 2019.

Phil McMahon
ombudsman