

complaint

Mr M complains that Moneybarn No. 1 Limited lent him money irresponsibly.

background

Mr M borrowed nearly £7,000 from Moneybarn under a conditional sale agreement in December 2014 to get a used car. He says the repayments were unaffordable as he was having financial problems at the time. He thinks Moneybarn would have realised this if it had done proper checks – as there was adverse information on his credit file and bank statements show he was gambling heavily and in a debt management plan (DMP). Mr M wants Moneybarn to provide a refund, pay compensation and rectify his credit file.

Moneybarn doesn't think it was wrong to lend. It says the finance repayments were less than 15% of Mr M's monthly income – and well within its usual lending limit. It got information about Mr M's situation from third party sources – which included checking his credit record – and didn't see any sign that repayments might not be affordable. Mr M seemed to have enough disposable income to meet the monthly repayments. And he never said he was having financial trouble. When the finance was repaid early Mr M told Moneybarn this was because he needed a bigger car.

Our investigator's not persuaded there's enough evidence to reasonably find this lending was irresponsible. Moneybarn can't provide the credit records it saw so she reviewed information Mr M supplied from his credit file – to get some idea of what Moneybarn is likely to have seen.

Mr M had two other accounts – one payday loan and a credit card. He was within the card limit and maintaining repayments. And the payday loan was only taken out a few days before – so she doesn't think Moneybarn is likely to have seen that. She's not persuaded Moneybarn should reasonably have been concerned by this information. She acknowledges there are some defaults in Mr M's credit history – but the most recent was about two years old at this stage and the total default balance was less than £2,000. She's not persuaded this should have prompted further checks.

She accepts Mr M was in a debt management plan (DMP). But, this doesn't appear on his credit file and Moneybarn didn't see bank statements so she doesn't think it had reason to know about the DMP or any gambling issues. She's satisfied Mr M seems to have maintained the repayments towards this finance fairly well. Overall, she doesn't recommend the complaint should be upheld.

Mr M says he sent copies of utility bills, wage slips and bank statements as part of the application process so Moneybarn should have known about the DMP and his gambling problem. He thinks the fact he was borrowing from payday lenders and had a credit card with multiple cash advances should also have set off alarm bells. Taken with the defaults he feels Moneybarn should have been prompted to carry out more stringent checks – given the amount he was borrowing.

Our investigator asked Moneybarn about the bank statements. It has no record of receiving those so she didn't think there was enough evidence to change her view. Mr M is unhappy with that outcome and he asked for an ombudsman to look into the matter.

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'm sorry to disappoint Mr M but I've reached much the same conclusions as our investigator for broadly the same reasons.

Moneybarn was obliged to take reasonable and proportionate steps to ensure that Mr M was likely to be able to pay back the money he borrowed here sustainably. It wasn't required to do any one check in particular – what's appropriate depends on a number of factors including the amount of finance and the repayment terms.

Mr M borrowed nearly £7,000 and agreed to pay back almost £12,000 over 48 months at about £250 a month. I accept that's not an insubstantial commitment but I think the checks Moneybarn did seem reasonable and I'll explain why.

I'm satisfied Moneybarn asked Mr M for proof of income and checked his credit file – to get some idea of his other credit commitments and see if there were any signs that Mr M might be having financial problems. Moneybarn hasn't been able to provide a copy of the credit search results it saw, due to the passage of time. Like our investigator, I have considered information Mr M supplied from his credit file. I'm satisfied this probably gives a reasonable indication of what's likely to have been available to Moneybarn at the relevant time.

I understand Mr M was in a DMP when he applied to Moneybarn but I haven't seen any evidence that showed on his credit record. As far as I can tell, Mr M seemed to be managing the accounts he had open fairly well. I haven't seen any evidence of late or missed payments. And I can't reasonably say it was wrong of Moneybarn to lend simply on the grounds that Mr M had borrowed from payday lenders. I accept Mr M had several defaults – but, given the age and size of these, I'm not persuaded this information alone should have given Moneybarn cause for concern.

Mr M says Moneybarn should have been able to see it wasn't responsible to lend from information bank statements he supplied by email to the third party intermediary that arranged this finance. Mr M can't provide a copy of that as he used an old work email that he no longer has access to. We asked Moneybarn and it conducted a search. Moneybarn says there's no indication bank statements were received from Mr M in its records.

I can't be certain what happened here exactly. Where evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I have no reason to disbelieve Mr M when he says he supplied bank statements to an intermediary around this time. But, I can't rule out the fact that he may be mistaken about which credit application that was for. Moneybarn wasn't obliged to ask Mr M for bank statements before providing this finance. And I haven't seen any evidence to suggest that it routinely requested bank statements in support of this sort of application.

In light of what I've said above, I'm not persuaded that Moneybarn is likely to have felt additional checks were needed, from the information it had. On balance, taking everything into account, I am not persuaded that I can safely find Moneybarn is likely to have seen Mr M's bank statements, in this situation. This means I'm unable to reasonably conclude that Moneybarn should have known about Mr M's gambling problem and the DMP.

As I've explained above, I think Moneybarn carried out reasonable and proportionate checks before providing this finance. On balance, I'm not persuaded it had reason to think the borrowing might be unaffordable for Mr M – or more checks might be needed – from the information it saw. And I am not satisfied it was irresponsible to provide Mr M with this finance.

I can see that Mr M has experienced some very difficult circumstances and I realise he's likely to feel let down by this decision. I am sorry to hear about everything Mr M has been through. But, I don't think there's enough evidence to show that Moneybarn did something wrong here. And I can't reasonably order Moneybarn to provide a refund or do anything further.

my final decision

My decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 August 2018.

Claire Jackson
ombudsman