

complaint

Mr H acquired a car using a conditional sale agreement with Moneybarn No. 1 Limited. The agreement was subsequently defaulted and the car repossessed. He complains Moneybarn irresponsibly agreed the loan that allowed him to acquire the car, but which he could not afford. He wants Moneybarn to write off the outstanding balance on his loan account.

background

Mr H's loan was for 48 months, agreed in July 2013. He said Moneybarn did not carry out a proper credit check on him at that time – if it had done so, the check would have revealed payday loans, defaults and missed payments.

Moneybarn said:

- It became concerned about the loan in September 2014, and asked Mr S to complete an income and expenditure form – this showed he had affordability and a payment arrangement was put in place
- It asked for information about payday loans and credit cards, but these were not mentioned on the form returned by Mr S.
- Mr S missed several payments during winter 2014/15, and a default warning notice was issued in April 2015
- Following contact from Mr S, it asked him in May 2015 to complete another income and expenditure form, and a second payment arrangement was put in place
- Mr S again did not mention other loans or credit cards
- It warned Mr S that, if the second payment arrangement was not followed, his account would be defaulted
- Mr S opted to surrender his car in June 2015
- Mr S complained to it in July 2015 – it responded to say it was unable to uphold this complaint

Mr S then referred his complaint to us. He added that, when he was struggling to make payments during the first half of 2015, Moneybarn did not tell him about his termination rights: that he could return the car at no further cost, once he had made 50% of the total repayment required. He said that he could have borrowed from a family member in order to reach this figure, and this would have saved money in the long run.

Moneybarn told us:

- It did undertake a proper credit check on Mr S in July 2013, including a credit search and a review of bank account statements supplied by him (it also supplied supporting documentary evidence to us)
- Based on the evidence obtained at the time, it reached a reasonable conclusion that Mr S could afford the proposed loan
- When it subsequently asked Mr S twice to complete income and expenditure forms, he withheld important information on both occasions
- In these circumstances, it could not have been aware of Mr S's financial situation and, given this, its actions were appropriate

Our adjudicator did not think the complaint should be upheld. She noted:

- There were defaults on Mr S's credit file – but this did not mean he failed to meet Moneybarn's lending criteria
- Moneybarn did not ask Mr S to complete an income and expenditure form in July 2013 – but it was only required to apply reasonable affordability checks, and these did not have to include the use of an income and expenditure form
- Mr S's bank account statements indicated that he was managing his finances well
- Mr S had maintained his loan agreement monthly payments consistently for six months

Regarding Mr S's termination rights under his loan agreement, our adjudicator said that, as he had signed this agreement, it would have been reasonable for him to have known about these rights.

Our adjudicator concluded that Moneybarn undertook reasonable affordability checks in July 2013. She also concluded there was insufficient evidence to show the loan was unaffordable at that time.

Mr S disagreed with our adjudicator's views. He supplied further information to demonstrate his circumstances and his level of debt, when he applied to Moneybarn for a loan. He reaffirmed his view that it had acted irresponsibly by granting the loan. He asked for his case to be reviewed by an ombudsman.

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 find that I have come to the same conclusion as our adjudicator, for the same reasons.

I agree with our adjudicator that the affordability checks undertaken by Moneybarn in July 2013 were sufficient. I note as well that, when it asked Mr S on two occasions to complete an income and expenditure form, he chose to omit expenditures about which he supplied information to us, as part of his response to our adjudicator's conclusions.

I also agree with our adjudicator that the presence of some adverse information on Mr S's credit file does not necessarily mean he failed to satisfy Moneybarn's lending criteria. In my view, the relatively high interest rate Moneybarn applied to his loan reflected a balanced analysis of the credit check information it obtained.

The point has already been made about Mr S's termination rights under his loan agreement: that it would have been reasonable for him to have known about them. He was unfortunate, in that he had paid by February 2015 nearly 43% of the total repayment required. But he did not advance on this figure, and – like our adjudicator – I am not persuaded that he would have been able to find the further money needed.

my final decision

For the reasons explained above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 January 2016.

Roy Mawford
ombudsman