

complaint

Mr D complains that Moneybarn No 1 Limited lent him money irresponsibly because it failed to carry out a proper affordability check before the loan was agreed.

background

In March 2017 Mr D was supplied with a car and entered into a hire purchase agreement with Moneybarn. The monthly payments were £288.26.

Mr D says that at the time he took out the loan he was being helped by StepChange and had other debts of approximately £30,000. He says that the loan from Moneybarn added to his financial difficulties.

Mr D says that Moneybarn didn't offer him any support when he fell behind with his payments. He wants compensation.

The investigator didn't uphold the complaint. He said that based on the information provided to Moneybarn, the loan was affordable.

Mr D didn't agree. He said that if Moneybarn had looked at his bank statements it would have seen lots of returned direct debit payments. He said that he had several payday loans at the time he took out the loan with Moneybarn and that he had to borrow money from his sister to buy food for his family.

my findings

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

In deciding whether it's appropriate to lend money, a business must carry out reasonable and proportionate checks to see if the lending is affordable. The checks the business is required to do depend on several factors including the amount of credit, the level of repayments, what the business knows about the customer and the information provided by the customer.

When Mr D applied for the loan he provided details about his income. This was verified with payslips. Moneybarn also carried out a credit check. Based on this information, Moneybarn decided that the loan was affordable.

Given the amount of the loan I would have expected Moneybarn to carry out more checks than it did. In particular I would have expected it to look at Mr D's monthly expenditure.

I've looked at Mr D's bank statements. These show what his outgoings were at the time when he took out the loan. When a business looks at monthly expenditure as part of an affordability check, it looks at regular monthly outgoings. So I've also looked at Mr D's regular monthly outgoings for the 6 month period leading up to the date when he took out the loan.

I've deducted Mr D's regular monthly outgoings from his average monthly income. This shows that (with the exception of one month between December 2016 and January 2017) Mr D had sufficient surplus income to pay the loan repayment of £288.26.

Based on this I'm satisfied that if Moneybarn had checked Mr D's expenditure, it would have decided that the loan was affordable.

I appreciate that Mr D says he had payday loans. Payday loans are for short term borrowing and unless there was information provided to Moneybarn which showed that Mr D was defaulting on multiple payday loan accounts then I don't think that this would be a cause for concern. Moneybarn carried out a credit check on Mr D and found it to be satisfactory.

I also appreciate that Mr D says he was borrowing money from his sister. I wouldn't expect Moneybarn to question each and every transaction on Mr D's bank statements, because this goes beyond what is considered to be reasonable and proportionate checks. In any event, Mr D's expenditure (based on his bank statements) still left him with disposable income.

I've also looked at Mr D's payment history. Mr D paid the monthly instalment of £288.26 from March 2017 until December 2017. This suggests that the loan was affordable at the time when it was taken out and that it was later on that Mr D experienced financial difficulties.

I've considered how Moneybarn treated Mr D when he was unable to make his loan repayments. When a consumer gets into financial difficulties a business should treat them in a positive and sympathetic way. I can see that Mr D spoke to Moneybarn in December 2017 about setting up payment plan because the account had fallen into arrears. Mr D didn't make any payments after the plan had been set up. Following this, in February 2018 Mr D spoke to Moneybarn again and told it he was expecting money from a third party. No payments were received and Moneybarn asked Mr D to complete an income and expenditure form to check that the payment plan was affordable. The contact notes provided by Moneybarn say that Mr D didn't want to discuss his income and expenditure and that he paid £300 towards the arrears instead.

Based on this information, I think that Moneybarn responded positively and sympathetically towards Mr D. In agreeing a payment plan I think that Moneybarn was trying to help Mr D get the account back on track. Because no payments were made after the payment plan had been agreed, I don't think it was unreasonable for Moneybarn to ask Mr D to provide details of his income and expenditure.

I understand that Mr D is unhappy that charges were applied to his account when he fell into arrears. The terms and conditions of the loan say that fees and charges can be added if the account falls into arrears. So I'm unable to say that Moneybarn has acted unfairly by adding fees and charges to the account.

Taking all of the circumstances of the complaint into account and based on the information provided, I'm unable to say that Moneybarn lent irresponsibly and I won't be asking it to do anything.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 7 September 2018.

Emma Davy
ombudsman