

The complaint

Miss A complains that Moneybarn No 1 Limited trading as Moneybarn didn't carry out sufficient affordability checks before they lent to her.

Miss A is represented by a third party in bringing her complaint. For ease of reading I will refer only to Miss A in my decision.

What happened

In July 2017 Miss A entered into a Conditional Sale agreement with Moneybarn. The cash price of the car was £6,395 with interest and charges applied the total amount to be repaid was £12,178, over 60 monthly instalments of £206.41. The agreement was settled in June 2022. Miss A said she struggled to meet the repayments as she'd little money left to pay her bills and so didn't think Moneybarn had sufficiently checked she could afford the lending. Miss A complained to Moneybarn.

Moneybarn said they'd verified Miss A's income through her payslips and checked her credit file. They said Miss A had defaulted on an account, but this had been 45 months prior to the lending. On the information they gathered they considered the loan was affordable.

Miss A didn't agree and referred her complaint to us.

Our investigator said as Moneybarn couldn't show us the credit file report they'd seen at the time of the lending she couldn't conclude whether the checks had been proportionate and reasonable. But after checking Miss A's financial situation at the time, she said that she'd sufficient disposable income to sustain the repayments.

Miss A didn't agree and has asked for an ombudsman to decide.

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.

I appreciate Miss A will be disappointed by my decision but having done so I'm not upholding this complaint. I'll explain why.

I've considered the relevant rules, guidance, and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider deciding what's fair and reasonable in all the circumstances of

the complaint. These are:

1. Did Moneybarn complete reasonable and proportionate checks to satisfy themselves that Miss A would be able to repay the credit in a sustainable way?

- a. if so, did Moneybarn make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Miss A could sustainably repay the borrowing?

2. Did Moneybarn act unfairly or unreasonably in some other way?

Regulations in place at the time Moneybarn lent to Miss A required them to carry out a reasonable assessment of whether she could afford to repay the loan in a sustainable manner. This is sometimes referred to as an “affordability assessment” or “affordability check”.

The affordability checks should be “borrower focused”, meaning Moneybarn need to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Miss A. In other words, it wasn't enough for Moneybarn to think only about the likelihood that they would get their money back without considering the impact of repayment on Miss A herself.

There's no set list for what reasonable and proportionate checks are. But I'd expect lenders to consider the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

Moneybarn has shown that before deciding to lend to Miss A they sought information about her income by way of checking two of her payslips. They assessed her income to be £1,113.37.

Moneybarn has shown their income and expenditure assessment, but this doesn't take account of Miss A's day to day living costs. It shows her declared income as being £1,109, her monthly credit commitment as £69. And that her debt-to-income ratio was 8%.

Moneybarn said they did a credit check – which they can't provide a copy of – that showed Miss A's current borrowing levels; her repayment history, including whether there were any arrears; and whether she'd any past defaulted accounts. Moneybarn said these didn't show any concerns about the affordability of the lending.

As Moneybarn haven't been able to show the credit check they said they did, I agree with our investigator that it's not possible to say that Moneybarn's checks would have shown that the lending could be sustained.

So, in the absence of this information from Moneybarn, I've relied on the evidence Miss A has been able to provide. I'm not suggesting that Moneybarn needed to obtain any of the specific documents Miss A has now provided, but I think these give a good indication of at least what basic information Moneybarn likely found out (or ought to have found out) about her income and existing credit commitments.

Miss A has provided us with her bank statements for the three months prior to the lending. And from these I can see that her average income was as she declared on her application, £1,109. Miss A had non-discretionary spend for board/rent, phone(s), food, insurance, car tax, petrol, a credit card and for debt collection. I can also see Miss A used short term lending, I've included these both as income and outgoings. And she transferred on average around £220 into a savings account, as I'd consider this to be discretionary spending I've not included this as outgoings for Miss A. After her new lending was factored in, overall I found Miss A to have a disposable income of more than £100.

I know Miss A didn't think this amount was enough to cover any discretionary and

unexpected spending. But Miss A hadn't any dependents, so I think that if Moneybarn had completed further checks into whether or not this agreement was affordable for her it's more likely than not they would have reached the same lending decision. As Miss A had sufficient disposable income to sustain the repayments. So, I don't think Moneybarn acted unfairly or unreasonably in agreeing to lend to her.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 27 March 2024.

Anne Scarr
Ombudsman