

Complaint

Miss L complains that Moneybarn No.1 Ltd (“Moneybarn”) unfairly entered into a conditional-sale agreement with her. She’s said the agreement was unaffordable for her.

Background

In May 2021, Moneybarn provided Miss L with finance for a used car. The cash price of the vehicle was £7,900.00. Miss L paid a deposit of £300 and entered into a 60-month conditional sale agreement with Moneybarn for the remaining £7,600.00 needed to complete her purchase.

The loan had interest, fees and total charges of £6,473.27 and the total amount to be repaid of £14,073.27 (not including Miss L’s deposit) was due to be repaid in 59 monthly instalments of £238.53.

Miss L’s complaint was considered by one of our investigators. He didn’t think that Moneybarn had done anything wrong or treated Miss L unfairly. So he didn’t recommend that Miss L’s complaint should be upheld.

Miss L disagreed with our investigator’s assessment and asked for her complaint to be passed to an ombudsman for a final decision.

My findings

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

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss L’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss L’s complaint. I’d like to explain why in a little more detail.

Moneybarn needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Moneybarn needed to carry out proportionate checks to be able to understand whether Miss L could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Moneybarn carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired

credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Moneybarn says it agreed to this application after it completed an income and expenditure assessment on Miss L. During this assessment, Miss L provided details of her monthly income which it cross-checked against information from credit reference agencies on the funds her main bank account received each month.

Moneybarn says it also carried out credit searches on Miss L which showed that she had some adverse information recorded against her – in the form of defaulted accounts and County Court Judgements (“CCJ”). It says that these were historic as the most recent of them was over well over a year prior to the application for this agreement.

Furthermore, in Moneybarn's view, when the amount Miss L already owed plus a reasonable amount for Miss L's living expenses was deducted from her monthly income the monthly payments were still affordable. On the other hand, Miss L says she was already struggling at the time and that these payments were unaffordable.

I've thought about what Miss L and Moneybarn have said.

The first thing for me to say is that unlike our investigator, bearing in mind Miss L's previous difficulties with credit, the amount being lent, as well as the term and total cost of the agreement, I'm satisfied that Moneybarn needed to take further steps to ascertain Miss L's actual living costs, rather than assuming Miss L's living expenses in order for its checks to have been reasonable here.

As Moneybarn should have done more, I've gone on to decide what I think Moneybarn is more likely than not to have seen had it done that here. Given the circumstances here, I would have expected Moneybarn to have had a reasonable understanding about Miss L's regular living expenses as well as her income and existing credit commitments.

I've considered the bank statement information Miss L has provided us with. To begin with, I wish to make it clear that I'm not going to carry out a forensic analysis of Miss L's bank statements to establish whether the monthly payments were affordable for her. I'm simply going to try and get some idea of what Moneybarn is likely to have found out about Miss L's living expenses had it done proportionate checks. I also have to bear in mind that obtaining bank statements wasn't the only way for Moneybarn to find out this information.

Having considered everything, the information provided appears to show that when Miss L's committed regular living expenses are combined with her credit commitments and then deducted from the funds she was receiving at the time, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

As this is the case, I don't think that Moneybarn would have made a different decision on lending even if it had found out about Miss L's actual living costs, rather than using estimates of this.

In reaching this conclusion, I've thought about what Miss L has said about the credit check being carried out after the finance was already provided. But, as it has been told, this is most likely a printing error as the data goes up to the date of this application.

For the sake of completeness, I'd add that even if this was a check carried out a few months later, for the reasons previously explained, I think it's unlikely this is the case, it still does include details of the position at the time of the lending decision. And I don't think this in itself indicates that Moneybarn shouldn't have lent.

So overall and having carefully considered everything, while I'm not necessarily persuaded that Moneybarn's checks before entering into this conditional-sale agreement with Miss L did go far enough, I'm satisfied that doing more won't have prevented Moneybarn from providing these funds, or entering into this agreement with her.

I'm therefore satisfied that Moneybarn didn't act unfairly towards Miss L when it lent to her and I'm not upholding Miss L's complaint. I appreciate that this will be very disappointing for Miss L. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss L's complaint, I would like to remind Moneybarn of its obligation to exercise forbearance and due consideration, now that it has been told more about Miss L's financial position, in the event that Miss L has difficulty making payments to the balance that remains outstanding going forwards.

My final decision

My final decision is that I'm not upholding Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 17 June 2024.

Jeshen Narayanan
Ombudsman