

## Complaint

Mrs D 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 February 2018, Moneybarn provided Mrs D with finance for a used car. The cash price of the vehicle was £10,348.00. Mrs D paid a deposit of £3,300.00 and entered into a 48-month conditional sale agreement with Moneybarn for the remaining £7,048.00 she needed to complete her purchase.

The loan had interest, fees and total charges of £5,392.90 and the total amount to be repaid of £12,440.90 (not including Mrs D’s deposit) was due to be repaid in 47 monthly instalments of £264.70.

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

Mrs D 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 Mrs D’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mrs D’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 Mrs D 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 Mrs D. During this assessment, Mrs D provided details of her monthly income which it verified against copies of payslips which it asked her to provide. Moneybarn says it also carried out credit searches on Mrs D which showed that she had some adverse information recorded against her – in the form of defaulted accounts with the most recent of these being around seven months prior to this application, Mrs D did not have any County Court Judgments (“CCJ”) recorded against her.

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

I've thought about what Mrs D and Moneybarn have said.

The first thing for me to say is that bearing in mind Mrs D'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 Mrs D's actual living costs, rather than assuming Mrs D's living expenses in order for its checks to have been reasonable here. Moneybarn did not do this so I'm satisfied that its checks before lending in this instance weren't proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown. However, Mrs D says she is unable to provide us with all of the information we've asked her for in order to be able to assess what her circumstances were like at the time she was provided with these limit increases.

And without this information, I'm simply not in a position to say that Moneybarn finding out more about Mrs D's actual living expenses, rather than estimates based on statistical data, would have seen it reach a different decision here. I say this while especially mindful of the fact that Mrs D's deposit itself equated to over a years' worth of monthly payments and she went on to settle the agreement early just over a year into what was supposed to be a four year agreement.

So overall and having carefully considered everything, while I'm not persuaded that Moneybarn's checks before entering into this conditional-sale agreement with Mrs D did go far enough, I'm not satisfied that doing more here would have seen Moneybarn deciding against providing these funds, or entering into this agreement with her.

In reaching this conclusion I've also considered whether the lending relationship between Moneybarn and Mrs D might have been unfair to Mrs D under section 140A of the Consumer Credit Act 1974 (“CCA”).

However, for the reasons I've explained, I don't think Moneybarn irresponsibly lent to Mrs D or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate that this will be very disappointing for Mrs D. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

**My final decision**

My final decision is that I'm not upholding Mrs D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 12 August 2024.

Jeshen Narayanan  
**Ombudsman**