

## **Complaint**

Mr L complains that Moneybarn No. 1 Limited (“Moneybarn”) unfairly entered into a conditional sale agreement with him. He’s said that the payments to the agreement were unaffordable, so he should not have been lent to.

## **Background**

Mr L also made a complaint about the quality of the vehicle that he was sold. But we’ve already separately given him an answer on that aspect of his complaint. And this decision is solely concerned with whether it was fair and reasonable for Moneybarn to lend to Mr L in the first place.

In November 2022, Moneybarn provided Mr L with finance for a used van. The purchase price of the vehicle was £9,995.00. Mr L paid a deposit of £577.29 and entered into a conditional sale agreement, which had a 40-month term, with Moneybarn for the remaining £9,417.71 he needed to complete his purchase. The loan had interest and charges of £4,717.06. This meant that the total amount to be repaid of £14,134.77 (not including Mr L’s deposit) was due to be repaid in 39 monthly instalments of £362.43.

Mr L complained that the agreement was unaffordable and so should never have been provided to him. Moneybarn didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

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

Mr L disagreed with our investigator and the complaint was 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 Mr L’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr 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 any lending was sustainable for Mr L before providing it.

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 Mr L provided details of his monthly income, which it verified against copies of payslips which he provided. It also says that it carried out credit searches on Mr L, which had shown that he had no significant adverse credit information recorded against him.

In Moneybarn's view, when reasonable repayments towards the amount Mr L already owed plus a reasonable amount for Mr L's living expenses (based on average data) were deducted from his monthly income the monthly payments for this agreement were still affordable.

On the other hand, Mr L says that the payments were unaffordable and there was no way he was going to be able to maintain them.

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

Having done so, I'm not persuaded that it was reasonable to rely on an estimate of Mr L's living costs given the percentage of Mr L's income that would be taken up by the repayment for this agreement, the cost of this credit and the term of this agreement. In these circumstances, I think that Moneybarn ought to have done more to ascertain Mr L's actual regular living costs.

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 Mr L's regular living expenses as well as his income and existing credit commitments.

I've considered the information Mr L has provided us with. I wish to make it clear that I'm not going to forensically re-underwrite Mr L's application. I say this particularly as Mr L's most recent submissions are being made in support of a claim for compensation and any explanations he would have provided at the time are more likely to have been with a view to persuading Moneybarn to lend, rather than highlighting any unaffordability.

As this is the case, I'm simply going to try and get some idea of what Moneybarn is likely to have found out about Mr L's living expenses had it done proportionate checks. I say this because when what the bank statements Mr L has provided show what he was paying to his actual committed living expenses are added to his active credit commitments and deducted from his income, he, at the time at least, appears to have enough left over to repay this agreement.

I accept it's possible that Mr L's actual circumstances at the time might have been worse than what proportionate checks are likely to have shown. For example, I know there was a month where he made payments to this agreement and his previous one, likely because there was a delay in settling the old agreement.

But I think that this delay was unexpected and I can't see that Moneybarn knew this, or that it could be expected to know this would happen – particularly as Mr L's deposit appears to

have come in the form of a part exchange value. So I don't think that any delay means Mr L shouldn't have been lent to.

In these circumstances, I don't think that Moneybarn carrying out further checks is likely to have led it to conclude that when Mr L's regular living expenses and existing credit commitments were deducted from his monthly income, he did not have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Overall and having carefully considered everything, while I'm not persuaded that Moneybarn's checks before entering into this conditional sale agreement with Mr L did go far enough, I'm satisfied that Moneybarn doing more won't have stopped it from providing these funds, or entering into this agreement with him.

For these reasons, I don't think that Moneybarn lent irresponsibly to Mr L or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. And I'm therefore not upholding this complaint.

I appreciate that this will be disappointing for Mr L. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 2 August 2024.

Jeshen Narayanan  
**Ombudsman**