

The complaint

Mr T has complained that Moneybarn No. 1 Limited acted irresponsibly when it provided him with a finance agreement in March 2022.

Background

Mr T approved for a finance agreement with Moneybarn in March 2022. The agreement was for £15,000 over 60 months and Mr T had to repay a total of £29,526.61 in monthly instalments of £470.79. The agreement was repaid in full and settled early in January 2023.

Mr T has said that the lending wasn't appropriate for him and that Moneybarn failed to show due diligence when carrying out its checks to consider whether or not the credit was affordable for him. He has explained that at the time of application he had a number of defaulted accounts on his credit file as well as an outstanding County Court Judgement ("CCJ"). As such he doesn't think it was appropriate for Moneybarn to approve his application for additional credit. He has also queried whether or not he repaid more than he should have and requested full account statements be provided by the business.

Moneybarn provided the account statements to Mr T to show how much he repaid in total. It also said that at the time of application it ran all the necessary checks in order to ensure the lending would be affordable for him. Having done that it was satisfied that the credit was affordable and would be sustainable over the term of the agreement. So, it didn't think it had done anything wrong and didn't uphold the complaint.

Unhappy with Moneybarn's response Mr T brought his complaint to our service. One of our investigators looked into it already. He found that the checks Moneybarn did were proportionate, but that some of the information it had recorded was incorrect. So, he recalculated Mr T's likely disposable income and came to the conclusion that the lending was likely affordable for him. So, despite some errors by Moneybarn our investigator didn't think it was inappropriate for it to have provided Mr T with the credit agreement and didn't uphold his complaint. The investigator also noted that Moneybarn had provided Mr T with full account statements and that he was no longer disputing the amounts he repaid.

Moneybarn didn't respond to the investigator's findings, but Mr T did. He explained he disagreed with the outcome as he had provided evidence to show that some of Moneybarn's submissions about his credit file had been incorrect. He said this organisation had defined irresponsible lending as a failure to identify red flags prior to lending and that Moneybarn had failed in that way. Therefore, he felt his complaint should be upheld and asked for an ombudsman to review it again and so it's been passed to me for consideration.

My findings

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

Having done so I agree with the findings of our investigator and won't be upholding Mr T's complaint. I know this will come as a disappointment for him, so I've set out my findings

below.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application.

When Mr T applied for his finance agreement with Moneybarn it completed a number of different checks. It reviewed his credit file, completed an income and expenditure form using Office of National Statistics ("ONS") data and asked him to provide his most recent payslip in order to verify his income. Having done that it concluded that Mr T had no recent arrears or missed payments on his credit file, did have some previous defaults and had no CCJs. It estimated his monthly disposable income was approximately £1,756 and so felt the monthly repayments of £470.79 would be affordable for him and approved the application.

Looking at the checks completed by Moneybarn, I think they were sufficient and don't think it needed to ask for anymore additional information before considering Mr T's application. It verified his income via a payslip and also considered his existing credit commitments and monthly outgoings. In the circumstances of Mr T's application, I think this was enough and I don't think it should have asked for more information than it did.

However, when we consider allegations of irresponsible lending we don't just consider whether sufficient checks were completed, but also what those checks showed. In his findings the investigator said that some of the information recorded by Moneybarn was incorrect. Mr T also pointed out that Moneybarn had said he had no CCJs, whereas there was one on his file from 2017. He also had a number of defaults showing from 2016 to 2018, not all of which Moneybarn appeared to have considered. So, Mr T felt the fact that Moneybarn incorrectly assessed the information at the time of application should be enough to uphold his complaint.

I can understand why Mr T believes that but that's not the approach we take when considering complaints of this nature. The test we apply is to consider whether or not any errors made by the business would have made a material difference in its decision to lend. In other words, if Moneybarn had recorded everything correctly would it still have approved the application for credit or not?

Looking at Mr T's credit file I can see the CCJ he mentioned as well as a number of defaulted accounts. In addition to those Mr T also had a number of active credit accounts that he was managing, including another finance agreement and some credit cards.

It is important to clarify that the existence of a default or CCJ isn't, in and of itself, a reason not to lend to someone. Rather the information needs to be considered in its entirety. Looking at the defaults and CCJ on Mr T's credit file they all took place between 2016 and 2018, the most recent default occurring just under four years before he applied for the finance with Moneybarn. All of the more recent accounts he had taken, between 2020 and 2022 were well maintained and in good order. So, I don't think the fact that Mr T had previously struggled to manage his debt effectively was a reason to refuse him credit nearly four years later when all of his most recent accounts were in good order.

Mr T has said that Moneybarn didn't properly verify his outgoings or complete a proper income and expenditure form with him. Looking at the information it has provided in its

submissions to us, I can see that Moneybarn relied on ONS data when estimating Mr T's outgoings. This is a common approach taken by lenders and is permitted by the regulator under its rules, so I can't say the business was wrong to do that. However, I also agree with our investigator in regard to errors made by Moneybarn, and that Mr T's outgoings were likely higher than it had suggested at the time. Therefore, I need to consider whether or not the lending was likely affordable when the correct outgoings are considered.

Moneybarn verified Mr T's monthly income via his most recent payslip. That showed he earned approximately £3,736 per month. Our investigator calculated Mr T's actual monthly disposable income, once he had met all his existing outgoings, was approximately £1,386. Which would mean the monthly repayments of £470.79 would still have been affordable for him even when the correct figures were relied on.

All of which means that, while I accept there were errors on the part of Moneybarn in how it reviewed Mr T's information in March 2022, I don't think those errors resulted in any harm or detriment. I say this because I'm satisfied that if Moneybarn had reviewed all of Mr T's information correctly it would still have approved the application and provided him with the finance agreement. Therefore, I can't uphold his complaint on the basis that it was wrong or inappropriate to provide him with the credit despite the fact that it made some errors at the time.

I've also considered whether Moneybarn acted unfairly or unreasonably in some other way, including whether its relationship with Mr T might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons set out above I don't uphold Mr T's complaint against Moneybarn No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 January 2025.

Karen Hanlon
Ombudsman