

Complaint

Mr H complains that Clydesdale Financial Services Limited (trading as Barclays Partner Finance ("Barclays PF")) unfairly entered into a conditional sale agreement with him. He's said that the monthly payments to this agreement were unaffordable and this left him struggling to make them.

Background

In October 2017, Barclays PF provided Mr H with finance for a used car. The purchase price of the vehicle was £10,000.00. Mr H didn't pay a deposit and took out a conditional sale agreement with Barclays PF, over a 60-month term, for the entire £10,000.00.

The loan had interest, fees and charges of £4,407.03 (made up of a credit facility fee of £149 a completion fee of £199 and interest of £4,059.60). This meant that the total amount to be repaid of £14,407.03 was due to be repaid in 59 monthly instalments of £236.81 and a final instalment of £435.81.

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

Mr H's complaint was considered by one of our investigators. He didn't think that Barclays PF had done anything wrong or treated Mr H unfairly. So he didn't recommend that Mr H's complaint should be upheld. Mr H 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 H's complaint.

Barclays PF needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Barclays PF needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr H 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.

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

Barclays PF says it agreed to this application after Mr H provided details of his monthly income. It says it also carried out credit searches on Mr H which showed his existing borrowing levels were well maintained and that he hadn't had obvious difficulties with credit such as defaults or county court judgments against him. And when the repayments to Mr H's existing commitments plus an amount for Mr H's living expenses were deducted from his monthly income the repayments for this agreement were still affordable.

On the other hand, Mr H says he was already struggling with his existing commitments and had payday loans, which meant that the payments to this agreement were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr H and Barclays PF have said.

The first thing for me to say is that much like our investigator, I'm not entirely persuaded that the checks Barclays PF carried out did go far enough. For example, I'm not persuaded that it was reasonable to rely on an estimate of Mr H's living costs given the amount being borrowed, the total amount Mr H had to repay and the amount of the monthly payment Mr H had to make. But I don't think that obtaining further information on Mr H's actual living costs would have made a difference to Barclays PF's decision to lend.

As Barclays PF didn't carry out sufficient checks, I've gone on to decide what I think Barclays PF is more likely than not to have seen had it obtained further information from Mr H. What I need to think about here is what did Barclays PF need to do in order to answer the questions its initial checks left unanswered – in other words, what were Mr H's actual regular living expenses (bearing in his credit commitments were already validated by the credit search)?.

There are a number of ways for a lender to find this information out and this doesn't mean that Barclays PF had to obtain copies of Mr H's bank statements and carry out a forensic line by line analysis of them. The information Mr H has provided does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept it's possible that Mr H's actual circumstances at the time might have been worse than what the information he's provided shows. For example, I know that Mr H says that he had payday loans. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

I don't think that Barclays PF could possibly be expected to have known about Mr H's payday loans given that they didn't show up in the credit searches. In any event, I don't think having a couple of payday loans in itself automatically means that a lender shouldn't lend to a prospective borrower.

Overall and having carefully considered everything, while I don't think that Barclays PF's checks before entering into this conditional sale agreement with Mr H did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Barclays PF from providing these funds, or entering into this agreement with him. So I'm satisfied that Barclays PF didn't act unfairly towards Mr H when it agreed to provide the funds.

As this is the case, I don't think that Barclays PF acted unfairly or unreasonably towards Mr H. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr H. 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 H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 October 2023.

Jeshen Narayanan
Ombudsman