

The complaint

Miss L complains that MotoNovo Finance Limited (“MotoNovo”) irresponsibly granted her a loan she couldn’t afford to repay.

What happened

I issued my provisional decision on this complaint in November 2021. An extract from that provisional decision is set out below.

In November 2018, Miss L acquired a car financed by a hire purchase agreement from MotoNovo. Miss L was required to make monthly repayments of £260.26 over five years, after which there was an option to purchase the car outright. The total repayable under the agreement was £16,091.76 towards which Miss L paid a deposit of £8,650.

Miss L says that MotoNovo didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. MotoNovo didn’t agree. It said that it carried out a thorough assessment which included a review of Miss L’s credit file and the collection of some information about Miss L’s expenses and income.

Our adjudicator recommended the complaint be upheld. She thought MotoNovo ought to have realised the agreement wasn’t affordable for Miss L.

MotoNovo didn’t agree. They calculated that Miss L would have had about £673 of disposable income every month after this agreement had been taken into account. And they thought the checks they had done were therefore proportionate. In those circumstances they said they would never have become aware of Miss L’s significant gambling expenses or the impact that had on how affordable the loan was as they didn’t have to check bank statements before approving a loan.

The case has been passed to me for a decision.

What I’ve provisionally decided – and why

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

MotoNovo will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision.

Before granting the finance, I think MotoNovo gathered a reasonable amount of evidence and information from Miss L about her ability to repay. I say this because it completed a credit check, considered what Miss L had told them about her outgoings and asked for information about Miss L’s income. However, just because I think it carried out proportionate checks, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information showed.

I've reviewed the information and evidence MotoNovo gathered. It's clear from the system information they have presented that they did review Miss L's credit file. The system information is difficult to follow so I've used the copy of the credit file that Miss L has provided. I think it's likely that would contain the same information that MotoNovo reviewed.

Having done so I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable for Miss L. I say that because the credit file showed she was managing her accounts well. There was an historic default on a telecommunications account from a few years earlier but there were no County Court Judgements, insolvencies or debt management programs in place. The loans she had were all being managed well and there were signs of significant improvements in her ability to repay the credit she had taken out as credit balances were reducing. Miss L wasn't using much of the credit available to her on her credit cards either and, whilst she had been several months in arrears on a credit card in July 2018, she was back in control of that account by the time of her application, the balance had improved significantly, and she was well within her credit limit. Another credit card ("outfit") had also been four months in arrears in July 2018 but by the time of the application this card was closed and paid in full.

MotoNovo have explained that Miss L told them her income was about £1,700 per month. Having reviewed the outgoings in her credit file I don't think there would have been concerns that even after adding other living expenses such as food and council tax, Miss L wouldn't have had enough income to afford the agreement. I don't think the business therefore acted unfairly when approving the finance.

I understand that had MotoNovo reviewed Miss L's bank statements they would have discovered she was spending significant amounts on gambling. But MotoNovo didn't have to consider Miss L's bank accounts as long as the checks they performed were proportionate, which I think they were.

My provisional decision

For the reasons given above, I'm not expecting to uphold this complaint.

MotoNovo didn't provide any further evidence but Miss L did. She said that when MotoNovo gave her the loan she had four payday loans and was constantly using her overdraft. She explained that she had a big gambling problem at the time and her credit score was extremely low. She said the loan was clearly unaffordable and that she'd had to take out further loans to make repayments on it.

Miss L said she was paying interest on a daily basis on credit that was being provided to her and this was costing her between £160 and £200 a month, she said that should have been clear to MotoNovo from her credit file. Miss L said that at the time the loan was approved she had outgoings of £1,679 and income of £1,700 and that wouldn't have given her enough income to afford food and necessities.

What I've decided – and why

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

I explained in my provisional decision that I thought the checks MotoNovo completed were reasonable and proportionate. The credit file would have shown Miss L's credit performance was improving and would not have identified any recent defaults or County Court Judgements. Miss L was managing her accounts well and wasn't using all of the credit available to her.

So, I don't think they needed to review Miss L's bank statements and it was only if they'd needed to do that that they would have identified Miss L's gambling problem or the extent of additional spending. I've not therefore been provided with any additional evidence that has led me to change my provisional decision and that provisional decision now becomes my final decision on this complaint.

My final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 17 January 2022.

Phillip McMahon
Ombudsman