

The complaint

Miss C complains that MotoNovo Finance Limited irresponsibly granted her a hire purchase agreement she couldn't afford to repay.

What happened

In October 2016, Miss C acquired a used car financed by a hire purchase agreement from MotoNovo. Miss C paid a deposit of £1,141 and was required to make 59 monthly repayments of £219, followed by a final payment of £459. The total repayable under the agreement was £14,529.

Miss C 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 gathering information that Miss C was in full time employment and that she was living with parents as well as carrying out a credit search.

Our adjudicator recommended the complaint be upheld. He thought MotoNovo ought to have realised the agreement wasn't affordable to Miss C.

MotoNovo didn't agree. It noted that Miss C had only provided partial bank statements and said these weren't sufficient to assess the affordability of the agreement at the time it was provided. It also noted that Miss C made her normal monthly repayments for 21 months before contacting it to explain a change of circumstances.

Miss C was unable to provide copies of her full bank statements and the case has been passed to me for a final decision.

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.

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.

MotoNovo didn't ask Miss C about her income or her regular expenditure before approving the finance. Given the overall size of the borrowing, the monthly repayments and the term of the agreement, I think it would have been proportionate for MotoNovo to have done so to ensure it was affordable.

The credit search carried out by MotoNovo showed some historic defaulted accounts. I do not think this meant that the lending shouldn't necessarily have been approved but I think it would have been proportionate for MotoNovo to have found out more about Miss C's income and her committed expenditure, such as her living costs to ensure she would be able to maintain her repayments. I can't be sure exactly what MotoNovo would have found out if it

had asked. In the absence of anything else, I think it would be reasonable to place significant weight on the information contained in Miss C's bank statements as to what would most likely have been disclosed.

Unfortunately, Miss C has only provided extracts from her statements and payroll information. Based on these, I can see her monthly income varied and Miss C has explained she as on a zero hours contract, so her income changed depending on the hours worked. Unfortunately, there is limited information about her income in the months leading up to the agreement although I can see she was paid £897 in September 2016 and then £598 in October 2016. MotoNovo has said Miss C was earning between £500 and £800. Based on what I have seen I think further checks would have suggested a monthly income of around £600 or more. As this varied I think it would have been reasonable to use the lower amount of £600 in the assessment.

The repayments under the agreement were £219 and so these accounted for over a third of Miss C's income which I think raises questions about whether this would be sustainably affordable over the term. Miss C needed to pay £91 for the insurance and she would also have other costs associated with running a car. I think this raises concerns about whether the repayments would be sustainably affordable over the term.

MotoNovo calculated Miss C's credit commitments as £80 a month and while screenshots from the credit check have been provided I haven't been able to verify the £80 credit commitments but based on what I have seen I do not think this unreasonable. The extracts from bank statements that Miss C has provided show she was making payments to a telecommunications company, for travel insurance and food and other general items. She was also making payments to a debt collection company. Miss C's statements also show she had no money left before her monthly salary was paid. Taking all this into account I do not think it reasonable that MotoNovo consider this agreement affordable.

Putting things right

As I don't think MotoNovo ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. Miss C should therefore only have to pay the original cash price of the car, being £9,370. Anything Miss C has paid in excess of that amount should be refunded as an overpayment.

To settle Miss C's complaint MotoNovo should do the following:

- Refund any payments Miss C has made in excess of £9,370, representing the original cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Miss C's credit file regarding the agreement.

*HM Revenue & Customs requires MotoNovo to take off tax from this interest. MotoNovo must give Miss C a certificate showing how much tax it's taken off if Miss C asks for one.

My final decision

I uphold this complaint and direct MotoNovo Finance Limited to put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 3 June 2022.

Jane Archer
Ombudsman