

The complaint

Miss B complains that FirstRand Bank Limited trading as MotoNovo Finance irresponsibly granted her a hire purchase agreement she couldn't afford to repay.

What happened

In August 2018, Miss B acquired a used car financed by a Hire Purchase agreement from MotoNovo Finance. Miss B was required to make 60 monthly repayments of around £175. The total repayable under the agreement was around £10,503.

Miss B says that MotoNovo Finance didn't complete adequate affordability checks. She says if it had, it would have seen the agreement wasn't affordable. Miss B says that at the time of the loan she was making payments through debt management companies for other debts, was gambling and borrowing from high-cost lenders. MotoNovo Finance said that it carried out an assessment which included asking Miss B about her employment and income. It said Miss B's credit score met its criteria and that she signed a declaration saying the agreement was affordable.

Our investigator didn't recommend the complaint be upheld. He thought MotoNovo Finance didn't act unfairly or unreasonably by approving the finance agreement.

Miss B didn't agree and said that she was living month by month due to her gambling addiction. She said her bank statements showed the cash withdrawals she used to fund her gambling. Miss B said her income varied and that her credit file showed that she had financial difficulties.

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 Finance 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. Information about our approach to these complaints is set out on our website.

MotoNovo Finance hasn't provided a copy of the credit check it completed. I've therefore relied on a copy of the credit file supplied by Miss B. The most relevant credit report provided is from May 2020 and so while this won't provide details of everything that may have been identified by a credit check at the time of lending (and I note Miss B's comments about lending being removed following a successful claim) I think this gives a good indication of what MotoNovo Finance would likely have seen. At the time of the application, it shows that Miss B had some historic defaults (from 2014, 2016 and 2017) and had been making use of several high-cost lenders. While I note most of the defaults had been settled prior to this application she did still have loans outstanding, and I think this credit history ought to have

indicated that Miss B was likely to be struggling financially. It therefore would have been proportionate for MotoNovo Finance to have got a more thorough understanding of Miss B's financial circumstances before lending.

MotoNovo Finance asked Miss B about her employment and income before approving the finance and this gave a monthly income figure of around £1,868 based on an annual income of £28,000. Given the term of the loan and noting the financial issues Miss B had previously experienced I think it would have been reasonable to have carried out further verification of this amount. I note Miss B's comments about her income varying but I can see from the evidence provided that had further verification taken place the figure of around £1,868 wouldn't have been found unreasonable. I also note that having looked through Miss B's bank statements she was also receiving money from an individual of over £1,000 a month. This was additional income or could be considered as a possible contribution to bills.

MotoNovo Finance didn't ask Miss B about her expenditure. Without knowing what Miss B's regular committed expenditure was, including her existing credit commitments, MotoNovo Finance wouldn't have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn't complete proportionate checks.

I can't be certain what Miss B would have told MotoNovo Finance had it asked about her regular expenditure, and I note her comments about what she would have declared given her need for a car. I don't think MotoNovo Finance needed to request bank statements, but in the absence of anything else, I've placed significant weight on the information contained in Miss B's statements along with the other information she has provided as an indication of what would most likely have been disclosed.

I've reviewed three months of bank statements prior to the application. These show that Miss B's regular committed monthly expenditure at the time was around £1,500. In calculating this figure, I've included amounts for Miss B's other credit commitments, insurances and bills as noted in her statements as well as the amounts for food and fuel based on the amounts Miss B has provided. Taking these figures into account, it appears to show the agreement was affordable to Miss B. For this reason, I'm not persuaded that MotoNovo Finance acted unfairly in approving the finance.

I am sorry to hear about Miss B's gambling addiction and I understand the seriousness of this and the impact it will have had. But MotoNovo Finance wasn't required to ask for copies of her bank statements and based on her comments I do not find it likely that she would have offered this information had she been asked about her expenses. Therefore, based on the evidence I have seen, I do not find that MotoNovo Finance should have been reasonably aware that Miss B had a gambling addiction at the time and as I find that adequate checks would have suggested the agreement was affordable, I do not find I can uphold this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 6 June 2023.

Jane Archer
Ombudsman