

## **Complaint**

Miss W complains that FirstRand Bank Limited (trading as “MotoNovo” Finance) unfairly entered into a hire-purchase agreement with her. She’s said the payments to her agreement were unaffordable and so it shouldn’t have been provided to her.

## **Background**

In February 2018, MotoNovo provided Miss W with finance for a used car. The cash price of the vehicle was £6,000.00. Miss W paid a deposit of £500 and entered into a hire-purchase agreement with MotoNovo to cover the remaining £5,500.00.

The loan had interest, fees and total charges of £2,944.20 (comprising of interest of £2,586.20, an admin fee A of £199, an admin fee B of £149 and an option to purchase fee of £10), and the total amount to be repaid of £8,944.20 (not including Miss W’s deposit) was due to be repaid in a first monthly instalment of £333.77, followed by 58 monthly instalments of £134.77 and then 1 final payment of £293.77.

Miss W’s complaint was considered by one of our investigators. He didn’t think that MotoNovo had done anything wrong or treated Miss W unfairly. So he didn’t recommend that Miss W’s complaint should be upheld.

Miss W 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 Miss W’s complaint.

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

MotoNovo needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that MotoNovo needed to carry out proportionate checks to be able to understand whether Miss W could make him payments in a sustainable manner before agreeing to lend to him. And if the checks MotoNovo carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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.

MotoNovo has provided us with various bits of information. But it hasn't really explained what exactly it was it did before agreeing that it was reasonable to lend to Miss W. However, given the information provided, it seems to me that MotoNovo agreed to this application after it asked Miss W to provide details of her monthly income and it decided to carry out credit searches on Miss W.

The credit searches showed up that Miss W had some existing credit but that this was being relatively well maintained. While copies of bank statements have been provided, as these are the same the ones Miss W has provided us with, I think that these are copies provided during the course of the complaint rather than information Miss W provided at the time.

In any event, as MotoNovo is defending this complaint and is providing submissions from the time that it agreed this loan, I'm taking its position to be that the information it had at the time indicated that the monthly payments on this agreement were affordable for Miss W.

On the other hand, Miss W says that she couldn't have afforded this.

I've thought about what Miss W and MotoNovo have said.

The first thing for me to say is that MotoNovo's searches show the use of at least one payday loan. So much like our investigator, I don't think that the checks MotoNovo carried out did go far enough. In my view, MotoNovo needed to take further steps to ascertain Miss W's actual living costs, given what the credit search showed in order for its checks to have been proportionate. I've not seen anything to indicate that Miss W was asked for further information to confirm her living costs prior to when this loan was provided.

As MotoNovo didn't carry out sufficient checks, I've gone on to decide what I think MotoNovo is more likely than not to have seen had it obtained further information from Miss W. As I've explained bearing in mind what MotoNovo saw on its credit check, as well the length of the term of the agreement and the amount of the monthly payment, I would have expected MotoNovo to have had a reasonable understanding about Miss W's regular living expenses as well as her income and existing credit commitments.

To be clear I'm not going to carry out a forensic analysis of whether the loan payments were affordable. I'm simply going to consider what MotoNovo is likely to have done if it obtained the missing information I think it should have done here. I say this because this information provided does appear to show that when Miss W's committed regular living expenses are deducted from her credit commitments, MotoNovo was more likely that not to have concluded that Miss W could sustainably make the repayments due under this agreement.

I accept it's possible that Miss W's actual circumstances at the time might have been worse than what the information she's provided shows. I know that Miss W has referred to her income reducing after she purchased her vehicle. But MotoNovo won't have known this. All it could do was make a decision based on what it had, or is likely to have had, had it done proportionate checks.

Having considered everything, I'm satisfied that the available information indicates that MotoNovo is likely to conclude that Miss W did have sufficient funds left over, once her regular living expenses and discernible committed expenditure was deducted from her monthly income, to make her monthly payments in a sustainable manner.

Furthermore, as obtaining bank statements wasn't the only way for MotoNovo to find out about Miss W's actual living expenses, I'm not persuaded that any gambling is as relevant here – particularly as Miss W received a vehicle (which she couldn't gamble) rather than cash funds. Therefore, I'm not persuaded that MotoNovo doing more checks here would have resulted in it making a different lending decision.

Overall and having carefully considered everything, while I don't think that MotoNovo's checks before entering into this hire purchase agreement with Miss W did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have prevented MotoNovo from providing these funds, or entering into this hire-purchase agreement with her.

I have thought about what Miss W has said about the costs of the loan being high. However, the information regarding the cost of the agreement, which is set in the background section of this final decision, is taken directly from the credit agreement Miss W signed. So I think that Miss W was notified of the costs of the agreement before she entered into it. And it was Miss W's choice to accept the terms and proceed with the agreement that she did.

Furthermore, while I've seen what Miss W has said about the consequences of not making her payments on time, there are sections of the pre-contractual credit information (which the documentation suggests Miss W was encouraged to read) which state that potential adverse credit file implications and default charges could be incurred in the event of late or non-payment. So I'm satisfied that MotoNovo did take reasonable steps to make Miss W aware of these consequences before she took out her hire-purchase agreement.

I'm therefore satisfied that MotoNovo didn't act unfairly towards Miss W when it agreed to provide the funds and I'm not upholding Miss W's complaint. I appreciate that this will be very disappointing for Miss W. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

My final decision is that I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 5 February 2024.

Jeshen Narayanan  
**Ombudsman**