

## **Complaint**

Ms F complains that MotoNovo Finance Limited (“MotoNovo”) unfairly entered into a hire-purchase agreement with her. She’s said the payments to her agreement were unaffordable.

## **Background**

In July 2019, MotoNovo provided Ms F with finance for a used car. The cash price of the vehicle was £8,995.00. Ms F paid a deposit of £2,500.00 and entered into a 49-month hire-purchase agreement with MotoNovo to cover the remaining £6,495.00.

The loan had interest, fees and total charges of £1,901.44 (comprising of interest of £1,503.44, an admin part A fee of £199, an admin part B fee of £149 and an option to purchase fee of £10), and the total amount to be repaid of £8,396.44 (not including Ms F’s deposit) was due to be repaid in 47 monthly instalments of £170.78 and then 1 final payment of £396.78.

Ms F has also complained about a hire-purchase agreement which MotoNovo entered into with her in 2014. But we’ve already explained that we’re looking at that matter separately and this decision is solely considering whether MotoNovo acted fairly and reasonably towards her in 2019.

Ms F’s complaint was considered by one of our investigators. She didn’t think that MotoNovo had done anything wrong or treated Ms F unfairly. So she didn’t recommend that Ms F’s complaint should be upheld.

Ms F 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 Ms F’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Ms F’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 Ms F could make her payments in a sustainable manner before agreeing to lend to her. 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 deciding that it was reasonable to lend to Ms F. However, given the information provided, it seems to me that MotoNovo agreed to this application after it asked Ms F to provide details of her monthly income and it decided to carry out credit searches on Ms F.

The credit searches are likely to have shown that Ms F had some existing credit but this wasn't excessive. MotoNovo says that the information it had at the time indicated that the monthly payments on this agreement were affordable for Ms F.

On the other hand, Ms F says that she couldn't have afforded the payments and she shouldn't have been lent to.

I've thought about what Ms F and MotoNovo have said.

The first thing for me to say is that 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 Ms F's actual living costs, given the length of this agreement in order for its checks to have been proportionate. I've not seen anything to indicate that Ms F was asked for further information to confirm her living costs prior to this finance being agreed.

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 Ms F. As I've explained bearing in mind 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 Ms F'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 Ms F's committed regular living expenses are added to her credit commitments and then deducted from the income she declared, MotoNovo was more likely that not to have concluded that Ms F could sustainably make the repayments due under this agreement.

I accept it's possible that Ms F's actual circumstances at the time might have been worse than what the information she's provided shows. I know that she says that she was earning less than she declared at the time and that she was also caring for her mother. 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.

Given Ms F had chosen to purchase a vehicle at the time she did, it's difficult for me to accept that she would have proactively disclosed information that would have shown the payments to be unaffordable, in circumstances where it would not have been proportionate for MotoNovo to go into the depth to find this out for itself.

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

Therefore, while I don't think that MotoNovo's checks before entering into this hire purchase agreement with Ms F 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 Ms F.

Overall and having carefully considered everything, I'm satisfied that MotoNovo didn't act unfairly towards Ms F when it agreed to provide the funds and I'm not upholding Ms F's complaint. I appreciate that this will be very disappointing for Ms F. 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 Ms F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 30 April 2024.

Jeshen Narayanan  
**Ombudsman**