

Complaint

Ms M 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.

Background

In October 2017, MotoNovo provided Ms M with finance for a used car. The cash price of the vehicle was £8,042.00. Ms M didn’t pay a deposit and entered into a 61-month hire-purchase agreement with MotoNovo to cover the entire amount of the purchase.

The loan had interest, fees and total charges of £2,784.00 (comprising of interest of £2,415.00, an admin fee A of £10, an admin fee B of £349 and an option to purchase fee of £10), and the total amount to be repaid of £10,826.00 was due to be repaid in 59 monthly instalments of £174.45 followed by a final payment of £533.45.

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

Ms M 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 M’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Ms M’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 M 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 agreed to this application after it asked Ms M to provide details of her monthly income and it decided to carry out credit searches on Ms M. The credit searches showed up that Ms M had some existing credit but this was for low amounts and being relatively well maintained. MotoNovo says that the information it had at the time indicated that the monthly payments on this agreement were affordable for Ms M.

On the other hand, Ms M says that she couldn't have afforded this.

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

The first thing for me to say is that MotoNovo didn't just simply accept what Ms M had told it. It carried out credit searches which showed that Ms M didn't have any significant adverse information recorded against her such as defaults or County Court Judgments ("CCJ"). She had repaid her mortgage and while I accept that Ms M might dispute this, her unsecured credit commitments weren't excessive in comparison to her income and there was no recent concerning information such as payday loan usage.

I know that Ms M has disputed the income that MotoNovo used at the time. But it appears that Ms M declared that she had an annual income of £15,000.00. And, in the circumstances, I think it was reasonable for MotoNovo to rely on this information. I've not seen anything to indicate that payslips, which Ms M says would have shown she received a lower income, were requested at the time.

I accept that Ms M appears to be suggesting that his actual circumstances may not have been fully reflected either in the information she may have provided, or the information MotoNovo obtained. I know that Ms M has said that he struggled to make her repayments as her partner wasn't working.

I'm sorry to hear about what Ms M has told us. But in the first instance I have to consider that Ms M considered it an appropriate time to purchase a vehicle. Secondly, it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. In Ms M's case, MotoNovo's checks didn't appear to indicate that Ms M might have been struggling or uncover what she's said about her partner.

In these circumstances, given the amount of the monthly payments and the lack of obvious indicators of any recent difficulty in the information MotoNovo did obtain, I don't think that reasonable and proportionate checks would have extended into requesting copies of Ms M's bank statements.

For the sake of completeness, I should add that at best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here given all the circumstances, any such checks would only have gone as far as finding out more about Ms M's regular living costs. I don't think that obtaining bank statements was the only way that MotoNovo could have done this.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 4 June 2024.

Jeshen Narayanan
Ombudsman