

The complaint

Mr R complains that FirstRand Bank Limited trading as Motonovo Finance was irresponsible in its lending to him.

Mr R is represented by a third party but for ease of reference I have referred to Mr R throughout this decision.

What happened

Mr R was provided with a hire purchase agreement by MotoNovo in June 2018 to finance the acquisition of a car. The agreement had a term of 60 months and required monthly repayments of around £261. Mr R said that he was uncertain about making the decision to acquire a car on finance and said he wasn't given enough time to understand all of the terms. He said that adequate checks weren't carried out before the lending was provided to ensure that it was affordable and that he has struggled to make the repayments which has caused him stress and affected his mental health.

MotoNovo issued a final response to Mr R's complaint. It said that Mr R was provided with the key financial and other details of the agreement before this was signed. It said that it carried out reasonable and proportionate creditworthiness checks before the agreement was provided and it hadn't seen anything to show that the agreement was unaffordable for Mr R.

Mr R referred his complaint to this service.

Our investigator noted that MotoNovo gathered information about Mr R's employment and income and carried out a credit search before the agreement was provided. While he noted the credit search showed that Mr R was up to date on his accounts, he thought given the term of the agreement and size of the monthly repayments MotoNovo should have got a clearer understanding of Mr R financial circumstances, specifically his expenditure, to ensure the finance was affordable.

Our investigator requested further evidence and Mr R provided copies of his bank statements. Our investigator assessed Mr R's income and expenses and found that further checks wouldn't have shown the lending to be unaffordable.

Mr R didn't accept our investigator's view. He said that the calculated disposable income left little room for unexpected costs and further noted the unpredictable nature of his cash spending. He said his financial pressures weren't adequately considered and noted his payments to existing creditors. He said he was relying on borrowing to meet his everyday costs and had taken out a £10,000 loan in April 2018 to cover his outstanding debts. He said the hire purchase agreement added to his financial burden causing him stress and putting strain on his personal relationships. He said his situation and financial vulnerability at the time of the lending wasn't adequately assessed and that the lending shouldn't have been provided.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before providing the finance, MotoNovo gathered information about Mr R's employment and income. Mr R declared that he was employed full time with an annual income of £32,500. MotoNovo recorded the new finance as replacing existing finance. A credit check was also undertaken. The credit check showed that Mr R had existing commitments including a £10,000 loan that was taken out in April 2018 (and used to repay a previous loan). While the credit check didn't raise any concerns about how Mr R was managing his accounts, given he had recently taken out new finance, and noting the term of the hire purchase agreement and the size of the repayments, I think that MotoNovo should have carried out further checks to ensure the new lending was affordable for Mr R.

While MotoNovo wasn't required to request copies of Mr R's bank statements, as I think further checks should have taken place, I have considered the information in these to understand what MotoNovo would likely have identified had proportionate checks taken place.

Mr R declared an annual income of £32,500. His bank statements show that his income did vary but on average in the months leading up to the lending it appears that he was receiving a net income of around £2,300 a month which supports his declared income figure.

Mr R's bank statements show that he made regular payments for rent, council tax, utilities, insurance, communications contracts, existing credit commitments, costs of running a car as well as general living costs such as food and fuel. Mr R has explained that he paid for the household expenses and his partner paid him half of these and his bank statements support this. Taking these costs into account, and the contributions Mr R received towards these, I find that this would leave Mr R with around £900 a month to cover the payments for the MotoNovo agreement (£261) and his general living costs. Based on these figures, I do not find that I can say further checks would have shown the lending to be unaffordable.

I also note that Mr R said as part of his application that the new finance was to repay previous finance (and an amount of £380 was noted). This would improve Mr R's situation as the new lending had monthly repayments of less than this amount.

So, while I have taken into account the comments Mr R has made about his expenses and payments by cash for certain spending, I do not find in this case that I have enough to say that further questions would have shown the agreement to be unaffordable.

I have also considered whether MotoNovo acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with him might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MotoNovo lent irresponsibly to Mr R or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would,

given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 December 2024.

Jane Archer
Ombudsman