

The complaint

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

What happened

Mr R entered into a hire purchase agreement with Motonovo in 2014 to finance the acquisition of a car. He says that when the finance was provided, he wasn't offered the best option and the correct affordability checks weren't carried out. He said he had had the car for two years but was then made redundant and couldn't afford the repayments, so he had to sell the car and suffered a large loss. He said that the finance should never have been provided as it wasn't affordable.

Motonovo issued a final response to Mr R's complaint. It explained that before Mr R was provided with the finance he was given a pre-contract credit information document and an explanation. It said these contained the key terms of the agreement including the interest rate charged, total amount repayable and the repayments needed. It said that before agreeing to provide the finance Motonovo carried out reasonable and proportionate credit worthiness assessments in line with the requirements of the time. It said that there wasn't evidence to show the agreement wasn't affordable for Mr R at the time it was provided and that it couldn't be held accountable for his change in circumstances.

Mr R referred his complaint to this service.

Our investigator thought that given the size of the repayments and the agreement term, Motonovo should have carried out further checks to ensure it had a clear understanding of Mr R's income and expenses. He reviewed Mr R's bank statements for the months prior to the finance being provided and found that these suggested the agreement to be affordable. Because of this he didn't uphold this complaint.

Mr R didn't agree with our investigator's view. He said that Motonovo didn't carry out the correct checks before lending or explain the total amount of interest payable and didn't provide information about other finance options available.

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.

Mr R complains that the correct checks weren't carried out to ensure the finance he was provided with by Motonovo was affordable and that he wasn't given clear information about the cost of the finance and the other options available to him.

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.

Mr R was provided with a hire purchase agreement in August 2014 and so it is the rules in place at that time that need to be considered. These required Motonovo to carry out reasonable checks to ensure the lending was affordable for Mr R.

I have looked at the information Motonovo gathered before providing the finance and can see that a credit check was undertaken and that this didn't raise any concerns. Motonovo also gathered information about Mr R's employment, marital status and residential status. Mr R said he was employed full time, married and a homeowner. While information about Mr R's employment was obtained, I cannot see that he was asked to provide his income or evidence this in any way or that questions were asked about his expenses. Noting the amount of finance being provided and the size of the monthly repayments (around £560 followed by a final payment of £15,246.50) and the term of the agreement (49 months), I think that checks should have been undertaken to ensure that Motonovo had a clear understanding of Mr R's financial situation at the time of the finance being provided. As I haven't seen evidence that this happened, I do not find I can say that proportionate checks took place before the lending was provided.

When we think that further checks should have happened, we then consider what would have been identified had proportionate checks taken place to understand if they would have raised concerns about the lending. Mr R has provided evidence from his bank statements from the time of the finance being provided. These show that he was receiving a monthly income of around £4,300. He then had expenses for his other credit commitments (including his mortgage) as well as costs such as utilities, insurance, communication contracts and general living costs such as food and fuel. However, taking these into account resulted in monthly expenses of around £2,500. As this left sufficient disposable income after making the repayments under this agreement, I do not find that I can say further checks would have shown the lending to be unaffordable.

Mr R has also complained that he wasn't provided with clear information about the interest payable or the other options available to him. While I note his comments, Mr R was provided with the pre-contract credit information that set out the key features of the agreement. I can see that the hire purchase agreement clearly set out the amount of credit being provided, the interest rate and the total amount repayable. Therefore, I find that Mr R was provided with the information he needed to make an informed decision about whether or not to enter into the agreement. Had he decided after signing the agreement that he no longer wished to be bound by its terms he could have exercised his 14 day right to withdraw.

I've also considered whether Motonovo acted unfairly or unreasonably in some other way given what Mr R has complained about, including whether its relationship with Mr R 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.

Taking everything into account, for the reasons set out above, I do not find I can uphold this complaint.

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 2 January 2025.

Jane Archer
Ombudsman