

The complaint

Miss C complains that FirstRand Bank Limited trading as MotoNovo Finance Limited was irresponsible in its lending to her. She wants all interest and charges she paid under the agreement refunded along with 8% simple interest and any adverse information removed from her credit file.

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

What happened

Miss C entered into a hire purchase agreement with MotoNovo in March 2017 to finance the acquisition of a car. The agreement had a term of 60 months and a total amount repayable of around £14,319. Miss C was required to make monthly repayments of around £238.

Miss C says that adequate checks weren't undertaken before the finance was provided to ensure it was affordable for her. She said that she had other accounts open at the time and that she has had to borrow further since the agreement was provided.

MotoNovo issued a final response not upholding this complaint. It said that reasonable and proportionate checks were carried out in accordance with the regulations from the time and that Miss C declared an income of £18,550. It said there wasn't evidence that the agreement was unaffordable.

Miss C referred her complaint to this service.

Our investigator noted the checks that were carried out by MotoNovo at the time of application and found that the credit check didn't raise concerns. However, he didn't see that Miss C's income had been verified or evidence of her expenditure gathered, and he thought it would have been reasonable for this to happen. He then considered what MotoNovo would have identified had further checks taken place. But as he didn't find that these would have suggested the agreement to be unaffordable, he didn't uphold this complaint.

Miss C didn't agree with our investigator's view. She challenged his income and expenditure calculations and provided further details of these.

Our investigator revisited his income and expenditure calculations but as he still didn't find that these suggested the agreement to be unaffordable, he explained that his view hadn't changed.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman to issue a decision.

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 the finance was provided, MotoNovo gathered information about Miss C's employment, income and residential status. A credit search was also undertaken. Miss C said she was self-employed with a gross annual income of £18,550 and she was a tenant living with a partner. Her credit search showed that she had other active accounts at the time, but these do not suggest that she was overindebted or show signs that she was struggling financially. The credit search didn't show any recent missed payments and she was operating within her credit limits.

While the credit report didn't raise concerns about how Miss C was managing her existing commitments, given the size and term of the loan and the repayments required, I think it would have been proportionate for MotoNovo to have verified Miss C's income and asked further questions about her expenditure to ensure the agreement would be sustainably affordable for her.

I do not find that MotoNovo was required to request copies of Miss C's bank statements, but as I think further checks should have happened, I have used the information contained in Miss C's bank statements to understand what additional checks would likely have identified.

Miss C was receiving income from benefits and has said she deposited money from her self-employment. There are also transfers in and out of her account to what appear to be either her other accounts or family members. But putting aside the transfers, Miss C's average monthly income based on the bank statements she has provided (November and December 2016 and January 2017) was around £1,400 (I have excluded receipts from what appear to be employment in November 2016 that weren't shown in the December or January statements).

Miss C's bank statement show transfers and standing orders being paid to accounts with the same surname as hers. It isn't clear what these relate to, but I note the net position was positive for Miss C. However, as it isn't clear the nature of these payments and receipts, I haven't included the amount in the calculations.

Miss C was making regular payments for costs such as rent, utilities, insurances, communications contracts and other credit commitments which totalled around £822 a month. However, the information gathered at application say that this finance was for repayments of another loan. I have looked at Miss C's credit report to confirm this took place. The report is from 2024 and data is generally only shown for six years so I cannot confirm that this agreement repaid the existing loan, but I note the previous loan isn't recorded. Therefore, as Miss C had said the agreement would repay the existing loan, I think, on balance, it reasonable to factor this into the calculations. Removing the existing loan repayments of £140 would reduce the costs to around £682.

Additional to these costs Miss C was paying for her food and general living costs. Based on her statements she appeared to spend around £200 on food (supermarket spending) a month. However, this figure includes a low amount in December, so I have increased the amount to around £250 to allow for this. Based on an income of around £1,400, regular commitments of around £682 and food / supermarket spending of around £250, this would

leave Miss C with around £518 disposable income a month. Deducting the repayments for the agreement of around £239 would leave disposable income (after costs including general living costs) of around £279. Based on this I do not find that I have enough to say that further checks would have shown the agreement to be unaffordable.

I've also considered whether MotoNovo acted unfairly or unreasonably in some other way given what Miss C has complained about, including whether its relationship with Miss C might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MotoNovo lent irresponsibly to Miss C or otherwise treated her 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 Miss C to accept or reject my decision before 14 February 2025.

Jane Archer
Ombudsman