

Complaint

Mrs A 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 March 2020, MotoNovo provided Mrs A with finance for a used car. The cash price of the vehicle was £2,995.00. Mrs A didn’t pay a deposit and entered into a 49-month hire-purchase agreement with MotoNovo to cover the entire amount of the purchase.

The loan had interest, fees and total charges of £4,135.32 (comprising of interest of £782.32, an admin fee A of £199, an admin fee B of £149 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 47 monthly instalments of £82.84¹ followed by a final payment of £241.84.

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

Mrs A 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 Mrs A’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mrs A’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 Mrs A 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.

¹ In her response to the investigator’s assessment, Mrs A has said that her monthly payment was £91.53 and has supplied a revised final response from MotoNovo which uses this amount. However, Mrs A’s executed hire-purchase agreement shows a monthly payment of £82.84. Having reviewed the statement of account, it appears that Mrs A was paying a further £8.69 for insurance policies (life insurance, accident and sickness insurance and unemployment cover) which do not appear on the hire-purchase agreement and have never formed part of Mrs A’s complaint. Therefore, for the purposes of this complaint, I’m satisfied that the monthly repayment was £82.84.

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 Mrs A to provide details of her monthly income and it decided to carry out credit searches on Mrs A. The credit searches showed up that Mrs A 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 Mrs A.

On the other hand, Mrs A says that she couldn't have afforded this.

I've thought about what Mrs A and MotoNovo have said.

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

It's unclear what steps, if any, MotoNovo took to crosscheck Mrs A's declaration of income. But from the information I've seen, it appears as though that Mrs A's declaration of her monthly income was accurate. Therefore, the information that MotoNovo had does suggest that the what were extremely low monthly payments, considering that this was a hire-purchase agreement, were affordable.

I accept that Mrs A appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she may have provided, or the information MotoNovo obtained. I know that Mrs A has provided a transaction list for her bank account and has referred to being overdrawn and having returned payments.

I'm sorry to hear about what Mrs A has told us. However, given the low amount of the monthly payments here 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 Mrs A's bank statements. So I don't think that MotoNovo ought to have known about what Mrs A is telling us.

For the sake of completeness, I should add that there isn't a prohibition on lending to a customer simply because they are using an overdraft. And if Mrs A is unhappy with her overdraft usage, this is a matter that she needs to take up with her bank rather than MotoNovo.

In reaching my conclusions, I've also considered whether the lending relationship between MotoNovo and Mrs A might have been unfair to Mrs A under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think MotoNovo irresponsibly lent to Mrs A or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to

suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 21 February 2025.

Jeshen Narayanan
Ombudsman