

The complaint

Mrs B complains that MotoNovo Finance Limited (MFL) lent to her irresponsibly.

What happened

Mrs B applied for, and received, finance from MFL to acquire a used car as follows:

Date	Cash price of car	APR	Total cost of Credit	Term	Monthly repayment
February 2020	£11,550	8.9%	£2,662	60 months	£235.20

On 6 October 2022, Mrs B complained to MFL. She said it should never have given her the finance as it was unaffordable for her and the monthly repayments “*were a huge proportion of [her] income*”. She said this left her struggling every month and she refinanced the agreement by taking a loan elsewhere in February 2022. Mrs B said the agreement with MFL had “*destroyed*” her both mentally and financially. She asked that MFL refund interest and charges along with statutory interest to resolve her complaint.

MFL looked into her complaint and issued a final response letter. It said Mrs B had told it she was employed full time and living with parents. She provided two bank statements which showed two regular commitments totalling just under £250 per month. MFL carried out a credit search and was satisfied with what it found. Overall, it concluded that Mrs B had sufficient disposable income at the time of the application to be satisfied she could afford the new repayment. It said Mrs B signed to say that the agreement was affordable for her from her normal budget, and she did not know of any reason why this should change. MFL rejected Mrs B’s complaint.

Mrs B didn’t accept what MFL said so she referred her complaint to our service and one of our investigators looked into it. He felt MFL should have done further checks on Mrs B’s application, but had it done so, it would still have agreed to lend to her. He didn’t uphold the complaint.

Mrs B was unhappy with our investigator’s opinion of her complaint. As there was no agreement, it has been passed to me to decide.

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.

We’ve set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I’ve considered this approach when deciding this complaint.

MFL needed to carry out reasonable and proportionate checks to ensure that it didn’t lend to Mrs B irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did MFL carry out reasonable and proportionate checks to satisfy itself that Mrs B was in a position to sustainably repay the finance?
- If not, what would reasonable and proportionate checks have shown at the time and did MFL make a fair lending decision?
- Did MFL act unfairly or unreasonably towards Mrs B in some other way?

It's not about MFL assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on her. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit agreement, the amount of the monthly repayments and the overall circumstances of the borrower.

Did MFL carry out reasonable and proportionate checks?

When assessing her application, MFL relied on the information provided by Mrs B; I don't think that's unreasonable. She had declared an annual income of £16,250 and that she was living with parents. MFL also carried out a credit check which showed that she had no defaults, County Court Judgements or missed payments. She had one loan elsewhere, with repayments of around £240 per month and it was up to date.

So I think it looked at relevant information which could make up a reasonable and proportionate check, but in this instance I think it should probably have looked a little more closely at Mrs B's application. I say this because she was on a relatively low income and already had a fairly significant credit agreement. I would have liked to see MFL ask for further details of Mrs B's income and expenditure to be sure she could afford the finance she had requested. As it didn't (it has told us the application was accepted automatically) I don't think it carried out a reasonable and proportionate check.

What would reasonable and proportionate checks have shown at the time and did MFL make a fair lending decision?

Our investigator asked Mrs B for copies of her bank statements for three months prior to her application for credit. This was to obtain a more detailed understanding of what MFL might have found had it asked further questions.

The statements reveal Mrs B's average income over the period was approximately £1,250. But the statements didn't reveal anything in the way of household bills, which is unsurprising as she was living with her parents-in-law. Our investigator asked her about that, and Mrs B said she would pay *"anywhere from £300-500. It depended on the month really and what they needed"*.

So looking at what Mrs B has told us and what MFL would have found had it asked similar questions, she had income of £1,250, average household expenses of £400, and a loan of £240. This meant she had around £600 to pay this finance agreement (£235.20). That being so, I think further checks would have shown the agreement to be affordable for Mrs B. It follows that I think MFL reached a fair decision to lend to her.

Did MFL act unfairly or unreasonably towards Mrs B in some other way?

Mrs B fell into financial difficulty a few months after taking the agreement. She has explained she unexpectedly lost her job, had a change in her personal circumstances and suffered a family bereavement. These events had a negative effect on her income. She's told us that at the time of the application (and since) she *"was experiencing health issues that could have*

affected [her] ability to maintain consistent employment”.

I have every sympathy for the situation Mrs B has found herself in. But I can't reasonably say that MFL ought to have known – or even anticipate – these events coming to pass in order to be able to take them into consideration when assessing her application. Mrs B will have known her situation best – especially regarding her health, employment and income - and had she told MFL about those issues, I would have expected it to reach a different conclusion. She signed a declaration confirming that she didn't know of any reason her normal monthly budget would change.

While I do think MFL ought to have done more before agreeing the finance for Mrs B, I don't think it would have resulted in a different decision. From what she herself has told us, her circumstances changed shortly after the agreement was put in place, and neither she nor MFL could have anticipated her losing her job and therefore her income.

Mrs B has told us she contacted MFL to ask for help and it agreed to accept reduced repayments for a couple of months. I can see from the statement of the account that it split a payment over two months to try to help. Prior to that, and since, she made her payments on time and settled the account (by refinancing elsewhere) in February 2022.

Overall, I don't think MFL has treated Mrs B unfairly in some other way. And, for the reasons I've already given, I don't think MFL lent irresponsibly to her 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 don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 20 March 2025.

Richard Hale
Ombudsman