

The complaint

Miss A complains through a representative that MotoNovo Finance Limited (“MotoNovo”) didn’t conduct reasonable and proportionate checks before it lent to her. Had further checks been carried out MotoNovo would’ve seen Miss A’s monthly outgoings were greater than her income.

What happened

In August 2020, MotoNovo provided Miss A with a Personal Contract Purchase (PCP) agreement through a credit intermediary for a vehicle with a retail price of £9,545. Miss A part exchanged a vehicle with a value of £2,300 so £7,249 was financed. In total Miss A would need to pay interest, fees and charges of £1,519.41 with a total to repay of £11,068.41. Miss A was due to make 48 monthly repayments of £105.01 followed by an optional final payment of £3,727.93. Miss A’s agreement was settled in August 2022.

MotoNovo didn’t uphold Miss A’s complaint, unhappy with this outcome, Miss A’s representative referred the complaint to the Financial Ombudsman Service.

Miss A’s complaint was then considered by an investigator, and they didn’t uphold it. The investigator concluded MotoNovo’s checks weren’t proportionate because it hadn’t verified or checked Miss A’s income and it didn’t have an idea of her actual monthly living costs. However, they thought had MotoNovo carried out proportionate checks it still would’ve lent to Miss A because further checks would’ve shown the PCP agreement to be affordable.

Miss A’s representative didn’t agree with the investigator’s findings saying it didn’t believe the investigator’s calculations allowed Miss A to cover any non-discretionary expenses. The investigator explained why these comments didn’t change their mind about the outcome and as no agreement could be reached the complaint 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 explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss A’s complaint. Having carefully thought about everything I’ve been provided with I’ve decided to not uphold Miss A’s complaint. I’ll explain why in more detail here.

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 any lending was sustainable for Miss A before providing it.

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 has confirmed that as part of the application process it didn't take, or verify, any information about Miss A's income or expenditure. Although, in saying that the information provided by MotoNovo shows that the dealer recorded Miss A's gross annual income of £27,500.

MotoNovo then seems to have relied on the results of Miss A's credit checks as well as the information provided by the dealership. But no other information seems to have been gathered, or verified as part of the application.

MotoNovo, carried out a credit search and it has provided a summary of the results it received from the credit reference agency. I want to add that although MotoNovo carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

The credit report MotoNovo received didn't show any defaults, insolvencies, or any other adverse payment information such as missed payments on her eight active accounts. It knew Miss A had three mail order accounts owing a total of £409 and a loan that had started in January 2019 which she had £135 left to repay. It fair to say Miss A had low overall debt and appeared to have kept to her payments without any obvious problems.

However, there were missed payments on two different public utilities accounts – but these occurred around a year before the PCP agreement started and so wouldn't have in my view – been any cause for concern for MotoNovo.

However, notwithstanding the credit check results I do have concerns that MotoNovo advanced credit to Miss A without any understanding of her income beyond obtaining a declaration for this. And it had no real idea of what her day-to-day living costs were especially as it knew from the information collected that she was in rented accommodation and so would've had costs associated with renting. Without this information I can't fairly conclude that a proportionate check was conducted before it advanced the finance.

So, before the finance was approved, MotoNovo needed to conduct further checks into Miss A's financial situation which ought to have included trying to establish what her monthly income and outgoings were. It could've gone about doing this a number of ways, it could've asked for copy payslips for her income or even a copy of a work contract. Equally it could've asked for copy bank statements or any other documentation MotoNovo felt was needed to satisfy itself that Miss A would be able to afford her repayments without encountering repayment difficulties.

I accept that had MotoNovo conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of MotoNovo conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to.

To be clear, the bank statements are only being used in order to try and establish what Miss A's likely monthly income and outgoings were. This wasn't, and isn't intended to be, a full financial review – as I don't think that would've been warranted before Miss A entered into the agreement taking into account the monthly repayment Miss A had towards the agreement.

Even though I don't think MotoNovo's checks went far enough that alone isn't sufficient to uphold the complaint. I would also have to be satisfied that had Motonovo conducted further checks it would've likely discovered the agreement was unaffordable or unsustainable for Miss A. Having looked at the bank statements provided; I've not been able to conclude that further checks wouldn't have altered MotoNovo's decision to lend, and I've explained why below.

I can see from the bank statements that Miss A's income is made up from a salary as well as benefits and maintenance payments. There is also a payment she receives from the council – and this amount is enough to cover her rent payment – of just over £500 per month.

I've therefore included the council payment as income because I've also included the rent as part of Miss A's monthly expenditure. It seems, that in total Miss A received monthly income of just over £2,000. Had MotoNovo checked Miss A's income I think this is the likely figure it would've discovered.

I also note that at times Miss A received payments from what she says was her ex-partner, but I've not included those as part of her income because they are irregular and sporadic amounts.

There wasn't anything obvious within the bank statements I've seen that would lead MotoNovo to believe that Miss A may have been having difficulties maintaining her existing repayments – for example I can't see any returned direct debits.

However, the bank statements show the same sort of expenditure each month, she has around £100 per week for food, and around £500 per month for rent – of course this is offset by the payment from the council, but as I've said above I've included the rent as outgoings. There were also existing petrol costs of around £100 per month.

I can also see that there are regular payments for her utilities, TV licence, payments to HMRC, internet, mobile phone – but in total these come to around £300 per month.

There is of course on top of these payments for her existing commitments – but as MotoNovo carried out a credit search, I think it would've been reasonable of it to have relied on these results, which indicated her monthly payments to these was likely to be modest – at under £100 per month.

This has led me to conclude, that had MotoNovo carried out a proportionate check it would've likely seen Miss A's non-discretionary monthly living costs came to around £1,500 per month. This would've left Miss A with just over £500 per month to cover any other costs she may have had including costs associated with the PCP agreement. As such, the agreement would've looked affordable.

So overall, having reviewed Miss A's bank statements and thinking about the payments that I can see for the bills that she had including rent, utilities, existing credit commitments as well as other costs that Miss A had I think it would've been reasonable for MotoNovo to have concluded the loan repayments were affordable and she would've likely had sufficient disposable income each month to cover any other costs that she had.

I've therefore concluded that had MotoNovo conducted what I consider to be a proportionate affordability check it would've likely concluded Miss A could afford the monthly repayments she was committed to making. I am therefore not upholding her complaint.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MotoNovo lent irresponsibly to Miss A 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

For the reasons I've outlined above, I am not upholding Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 10 April 2025.

Robert Walker
Ombudsman