

## The complaint

Ms W complains that FirstRand Bank Limited trading as Motonovo Finance (“Motonovo”) didn’t carry out any checks into her financial circumstances when it agreed to lend to her. Ms W is also unhappy about the interest rate she received.

## What happened

In July 2017, Motonovo provided Ms W with a hire purchase agreement through a credit intermediary for a vehicle with a retail price of £4,309.44. No deposit was paid and so, as part of the same agreement a further HP Personal loan was added to the agreement – the value of this loan was £1,390.56. The agreements had an APR of 8%.

In total, for both agreements, Ms W had interest, fees and charges of £2,743.60. The total to repay across the accounts was £8,443.60. Ms W was due to make 59 monthly repayments of £137.41 followed by a final payment of £336.41. Ms W’s agreement was settled in November 2021.

Ms W referred the complaint to the Financial Ombudsman after Motonovo didn’t uphold the complaint. The complaint was then reviewed by an investigator, and they didn’t uphold the complaint in either of their assessments.

The investigator said Motonovo’s checks needed to go further into checking Ms W’s income and her regular non-discretionary monthly costs. Initially, the investigator didn’t have any information from Ms W about her circumstances at the time, but Ms W was then able to provide further information. She provided copy bank statements about her circumstances from March 2018 – as these were the oldest statements she could obtain. But even considering the bank statements that were provided, the investigator didn’t uphold the complaint.

Ms W didn’t agree with the investigator’s findings and I’ve considered what Ms W provided.

- Ms W provided Individual Voluntary Arrangement (IVA) documents to show her costs were at the time she entered into it and she says her costs in 2017 were the same.
- Ms W provided a breakdown of her income and monthly expenditure – based on the calculations her outgoings were more than her income and this is why she ended up in an IVA.
- Ms W only settled the finance by taking a further loan.
- Ms W said she contacted Motonovo around a year after the agreement started to ask for help and the only option it gave her was to hand the car back and lose the money she’d already paid.
- Further documents were provided, included bank statements from March 2018, details of her income in 2019, energy bills and Ms W confirmed her rent was £750 per month.
- Ms W provided details of the reduction in income she had as a result of changes to child benefit entitlement.
- The whole application process was really quick and within a couple of hours of entering the dealership Ms W left with the car.

These comments didn't change the investigator's assessment and so 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 Ms W's complaint. Having carefully thought about everything I've been provided with I've decided to not uphold Ms W'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 Ms W 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.

I just want to start by saying, Ms W has provided a lot of information to us and Motonovo about the health problems she encountered in 2018 and the impact this had on her. I'm sorry to have read about these difficulties and I do hope that things have improved for Ms W.

I also need to be clear, this decision only deals with the actions of Motonovo in relation to the lending decision. It doesn't review or make any findings about any quality issues Ms W may have had with the car. This decision also doesn't deal with any commission that may or may not have been paid to the dealership by Motonovo. Again, if Ms W is unhappy she'll need to raise it directly with Motonovo – if she hasn't already done so.

I also want to reassure Ms W that where I haven't commented on a specific issue she has referred to, or a comment that she may have made, it's not because I've failed to take it on board and think about it. The reason I will not have commented on the issue is because I'm satisfied that I don't need to do so in order to reach what I consider to be a fair and reasonable outcome. For the sake of completeness, I would add that our complaint handling rules, which I'm required to follow, permit me to adopt such an approach.

Motonovo has confirmed that as part of the application process it didn't take or verify any information about Ms W's income or expenditure. Instead, Motonovo says it relied on the results of Ms W's credit checks as well as the information provided by the dealership.

For the application it looks like Motonovo was only aware of Ms W's living arrangements, she was single and it knew of her employer. But it doesn't appear it made any enquires with Ms W about her income or what her living costs were. I don't think these checks were proportionate.

Motonovo did though carry 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 or insolvencies. There was a missed payment recorded against one of her credit cards but that account had then been quickly brought up to date.

In total Motonovo knew Ms W had two credit cards – owing a total of £2,220, a loan costing £125 per month, a communication account, a current account and two mail order accounts with outstanding balances totalling £349. Motonovo calculated these creditors were costing Ms W just over £293 per month – which doesn't appear to be unreasonable based on the information Motonovo received.

In my view, there wasn't anything solely from the credit checks that would've prompted Motonovo to review these accounts more closely or to have believed Ms W was or likely experiencing or having financial difficulties at the time it lent.

However, notwithstanding the credit check results, I do have concerns that Motonovo advanced credit to Ms W without any real understanding of what her income or day-to-day living costs were. 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 Ms W's financial situation including 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 the contract. Or Motonovo may have requested copy bank statements or any other documentation it felt was needed to satisfy itself that Ms W would be able to afford her repayments without encountering repayment difficulties.

I accept 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.

Initially the investigator wasn't able to make a finding about what Motonovo may have seen as no bank statements or any other documentation had been provided. However, following the first assessment Ms W provided copy bank statements from her current account – but the earliest statements she can provide are from March 2018 – which is around 8 months after the finance had been granted.

As such the statements that have now been provided don't tell us exactly, what Ms W's income and outgoings were at the time the finance was granted. Rather it shows a picture of her position a number of months later. But I have taken on board what Ms W has said that her living arrangement and income hadn't changed significantly since the agreement started in July 2017 up to March 2018.

This does mean, I can't accurately work out what Ms W's likely income and or outgoings were in July 2017 because this just isn't possible, bearing in mind the March 2018 may well show different information than what would've been visible to Motonovo had it carried out proportionate checks in July 2017.

But nonetheless, I've still reviewed the statements and other documentation to see, as far as practically possible, what Ms W's financial situation was – at the time. To be clear, the bank statements I've referred to albeit 8 months later were never intended to be used by Motonovo for a full financial review – as I don't think that would've been warranted before Ms W entered into 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 Ms W.

I appreciate a P60 has been sent in for tax year 2018 / 2019 but this was for the year after the agreement was entered into and was actually the tax year after the bank statements have been provided. From the statements provided, it looks like Ms W's income was just over £1,200 per month.

I can also see from the March 2018 statements that Ms W is in receipt of child benefit and tax credits – and her own testimony says these would've likely to have been received at the time the finance was granted. Ms W says these benefits started to be curtailed but I'm not persuaded Motonovo ought to or would've known about that. The statements, at least in March 2018 show an income of salary benefits payments and maintenance of nearly £2,400 per month.

Again, I can't be sure this is exactly what Ms W would've received in or around July 2017 but it's the only information I have to go on and I've not seen anything to make me think Ms W's income wasn't – broadly in line with what I've said above.

As I've said above, Motonovo had a fairly good idea of Ms W's existing credit commitments because it had carried out a credit search and so I don't think its calculations – that her existing costs were just under £300 per month. So, I've not used the bank statements to work out Ms W's existing credit commitments because Motonovo already had an idea as to what they were.

I can see that Ms W has provide us with an overview of her costs in July 2018, but when thinking about Motonovo's requirements I have to consider what it most likely would've seen in or around July 2017.

I can see regular payments for utilities including energy, water and TV licence, rent, council tax, trade union membership, insurances, mobile phone and internet. These costs come to around £1,300 per month. On top of this there were the known credit commitment costs of £293 (taken from the credit search) and the Motonovo finance payments of £137. So, her committed costs each month came to around £1,750.

So, Ms W would've been left with around £650 per month to cover all other costs such as petrol and food. On balance, it would've been reasonable for Motonovo to believe the payments for the finance were affordable – assuming Ms W's finances were in a similar position in 2017 as they were in 2018.

I've therefore concluded that had Motonovo conducted what I consider to be a proportionate affordability check it would've likely concluded Ms W could afford the monthly repayments she was committed to making – although I accept the check isn't ideal given, we don't have the statements from the relevant period of time. I am therefore not upholding her complaint.

## **Other consideration**

I'm sorry to hear that repaying the loan agreement was difficult for Ms W and I can see that after the agreement was entered into her finances deteriorated and I say this because in December 2021 she entered into an IVA. And I'm also satisfied that the IVA's IP told Motonovo about it because the system notes provided demonstrate that Motonovo received notification of the IVA.

However, it doesn't look like any further action was taken by Motonovo as it doesn't appear to have reviewed any further correspondences about the IVA or any further request for financial assistance from either Ms W or from the IVA provider. The statement of account also shows the payments were made on time and as expected until Ms W made a lump payment to repay what she owed.

Based on what I've seen, while Motonovo was told about the IVA, I can't see that it was asked to undertake any further action and as the account wasn't in arrears it wouldn't have prompted it to reach out to Ms W. However, if Ms W feels that something may have gone wrong with the management of the IVA in connection with Motonovo she may, in the first instance wish to direct her concerns to her IVA provider.

I know Ms W has said she's unhappy with the interest rate the agreement had, and I've looked at the credit agreement to see what rate was agreed with at the time and it seems Motonovo said it would charge what was actually charged. So, I can't say that Motonovo made an error that it charged Ms W the interest it said it would.

I acknowledge Ms W says that she didn't leave the dealership with the paperwork, and she received it a couple of weeks later in the post – but I've not seen anything to suggest that at this time she then queried the interest rate with Motonovo or any other concerns she had with the agreement.

It's also worth saying, that there isn't a cap on the interest rate that a lender can charge for this type of agreement and as the interest rate is included within the credit agreement, I can't fairly conclude that Motonovo didn't give Ms W sufficient information about what it was charging.

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 Ms W 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 Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 24 April 2025.

Robert Walker  
**Ombudsman**