

Complaint

Mr R complains that MotoNovo Finance Limited (“MotoNovo”) unfairly entered into a hire-purchase agreement with him. He’s said the payments to his agreement were unaffordable.

Background

In October 2020, MotoNovo provided Mr R with finance for a used car. The cash price of the vehicle was £13,898.00. Mr R received a part exchange value of £2,600.00 for his existing car and applied for finance to cover the remaining amount. MotoNovo accepted Mr R’s application and entered into a 60-month hire-purchase agreement with him.

The loan had interest, fees and total charges of £3,848.20 (comprising of interest of £3,847.20 and an option to purchase fee of £1) and the balance to be repaid of £15,146.20 (which does not include Mr R’s part exchange was due to be repaid in 59 monthly instalments of £252.42 and one final payment of £253.42).

Mr R settled the agreement in full in September 2021 and in April 2024 he subsequently complained that the agreement was unaffordable for him and so it should never have been provided to him. MotoNovo didn’t uphold Mr R’s complaint. As Mr R remained dissatisfied he referred his complaint to our service.

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

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr R’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 Mr R could make his payments in a sustainable manner before agreeing to lend to him. 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.

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 says it agreed to this application after it completed an income and expenditure assessment on Mr R. During this assessment, Mr R provided details of his monthly income. MotoNovo says it also carried out credit searches on Mr R which showed up some existing credit but that this was being well maintained.

Furthermore, MotoNovo says that Mr R would have had enough left over to meet his regular living costs once his payments to his creditors were deducted from his income. Finally, it also says that Mr R signed a declaration confirming that the monthly payments were affordable for him.

On the other hand, Mr R says that he couldn't have afforded the monthly payments.

I've thought about what Mr R and MotoNovo have said.

The first thing for me to say is that MotoNovo has provided the output of the credit checks it carried out at the time of Mr R's application. There was no significant adverse information such as defaulted accounts or County Court Judgements ("CCJ") recorded against him. Furthermore, MotoNovo searches also appear to show that Mr R's unsecured debt total at the time of the application was low and being well maintained.

Nonetheless, I do think MotoNovo needed to obtain further information from Mr R about his actual regular living costs. I say this particularly as it doesn't appear to have taken steps to cross check, or verify Mr R's declaration of his income. That said, I do think that even if MotoNovo's checks had gone further and extended into finding out more about Mr R's actual living expenses, I don't think this would have made a difference to its decision.

I say this because the information Mr R has provided appears to show that when his committed regular living expenses are added to his credit commitments and then deducted from his income, Mr R could sustainably make the repayments due under this agreement.

I accept that Mr R's actual circumstances at the time may have been worse than what the information I think that MotoNovo ought to have obtained shows. However, I have to consider Mr R's submissions now in the context that they are now being made in support of a claim for compensation. Whereas at the time of sale, at least, Mr R clearly wanted the car he had chosen and it's fair to say that any explanations he would have provided would have been with a view to persuading MotoNovo to lend rather than highlighting the agreement was unaffordable.

Furthermore, it's only fair and reasonable for me to uphold a complaint in circumstances where proportionate checks will have shown a lender that the payments were unaffordable. It is not sufficient for me to uphold a complaint simply because more should have done. I have to be satisfied that doing more would have resulted in the lender taking a different course of action – in this case, declining Mr R's application for finance.

Given the circumstances here, while I don't think that MotoNovo's checks before entering into this hire purchase agreement with Mr R didn't go far enough, I'm not persuaded that MotoNovo carrying out further checks in this instance would have resulted in it reaching a different decision on lending to Mr R.

For the sake of completeness, I would also add that while this isn't in itself determinative, it's also worth noting that Mr R not only made all of his payments as and when they fell due for the period he had the agreement, he also settled the agreement in full less than a year later. In my view, Mr G's repayment record and actions tends to support the fact that this agreement was affordable for him.

In reaching this conclusion I've also considered whether the lending relationship between MotoNovo and Mr R might have been unfair to Mr R 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 Mr R or otherwise treated him 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.

I'm therefore satisfied that MotoNovo didn't act unfairly towards Mr R when it agreed to lend to him and I'm not upholding Mr R's complaint. I appreciate that this will be very disappointing for Mr R. But I hope he'll understand the reasons my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 3 July 2025.

Jeshen Narayanan
Ombudsman