

## The complaint

With the help of a professional representative (PR), Ms B complains that FirstRand Bank Limited trading as MotoNovo Finance (MotoNovo) lent to her irresponsibly. For ease I'll refer to the actions of the PR as being those of Ms B.

## What happened

On 27 January 2019, Ms B entered into a hire purchase agreement (HP) with MotoNovo to acquire a used car. The terms of the agreement were as follows:

Amount of Credit	Term	Monthly repayment	Total repayable
£12,187	61 months	£274.54	£17,151.40

Ms B made all her repayments on time and settled the agreement early on 11 July 2023.

On 25 January 2024, Ms B complained to MotoNovo. She said it *"had failed in its duties to carry out appropriate and proportional affordability checks prior to"* lending to her. She said that as a result of having to meet these payments, she fell into rent arrears and had difficulty with other finance agreements she had already. She asked MotoNovo to refund her the interest she'd paid on the agreement, along with statutory interest of 8% per year and a payment for distress and inconvenience.

MotoNovo looked into Ms B's complaint and issued a final response letter. It explained Ms B had approached a car dealer to acquire the vehicle and the dealer submitted the application for finance on her behalf. It said it had considered the information given on the application and was happy to offer the finance on that basis. Ms B was given the appropriate pre-contract information and accepted the terms. It didn't uphold her complaint.

Ms B didn't accept MotoNovo's response so she referred her complaint to our service. One of our investigator's looked into it. He said he felt MotoNovo ought to have carried out further checks on Ms B's application. But based on information made available subsequently he felt that if MotoNovo had done more, it would still have agreed to lend. He didn't uphold the complaint.

Ms B didn't accept what our investigator said. As there was no agreement, the complaint has been referred to me for a decision.

## 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.

MotoNovo needed to carry out reasonable and proportionate checks to ensure that it didn't

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

MotoNovo had to carry out reasonable and proportionate checks to satisfy itself that Ms B would be able to repay the finance sustainably. It's not about MotoNovo 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 agreement, the amount of the monthly repayments and the overall circumstances of the borrower.

#### Did MotoNovo carry out reasonable and proportionate checks?

MotoNovo says it based its lending decision in part on the information it received from the car dealer on the application. While I don't think that's unreasonable, as the lender it remains ultimately responsible for ensuring the finance was affordable for Ms B.

It did carry out a search of Ms B's credit report. That showed she'd had two previous HP's which had been repaid on time at a rate of around £205 per month. The most recent had ended in October 2018 – a couple of months before this application was made.

The report showed Ms B had arrears on a mail order account. But all her other credit was up to date, consisting of a loan (£210 per month), two credit cards (limits of £4,100 with balances of £3,200), a phone contract, an insurance premium product and another mail order account. So I don't think the information on Ms B's credit file will have given MotoNovo any particular concerns.

But MotoNovo did have a duty to ensure the HP was going to be affordable for Ms B on a sustainable basis. Given the length of the contract here – five years – and the amount of money involved, I think MotoNovo ought to have been looking carefully to ensure Ms B would be able to repay the agreement. It has told us it didn't do anything to verify her income and expenditure itself and relied on *"the information the dealer obtained from the customer at the point of finance application"*. As I've said, as the lender it was ultimately responsible for agreeing the lending. As it didn't take any steps to verify Ms B's income and expenditure, I don't think its checks went far enough.

#### What would reasonable and proportionate checks have shown at the time, and did MotoNovo reach a fair decision to lend?

If MotoNovo had decided to carry out further checks on Ms B's income and expenditure, it might have done so by reviewing her bank statements. Ms B has provided those to us covering a few months prior to her application.

The statements show she was earning around £1,800 a month. She appears to have had a relatively small overdraft of around £250 which she did use regularly – and sometimes exceed - but her account was generally in credit. There were numerous transfers in and out of the account to others in her name. Ms B has now provided statements on those accounts too. While one account is for her child, the others are in her name. Those accounts were run

in credit and had more than enough money in them to cover Ms B's use the overdraft on her current account at all.

The statements I have, begin on 28 August and run to 31 December 2018. I've noted Ms B was charged for "*unpaid transactions*" on 7 September and 10 October 2018. But having carefully reviewed the statements, I can't see any transactions being unpaid. It seems to me then that these were pre-notified charges for items that were unpaid before 28 August 2018. Given what I've seen on the other accounts, unless these were particularly large items, I think it's more likely than not that the other accounts could have covered the excess if transfers had been made.

If MotoNovo had asked further questions of Ms B, then I don't think they would have seen anything to make them think she wouldn't have been able to sustainably meet the repayments due under the HP.

Ms B has told us she was in rent and school fee arrears, and was struggling financially as a result of a bereavement earlier in the year. While I have every sympathy for the situation she found herself in, I can't reasonably say that MotoNovo ought to have known about these circumstances, and I don't think it is reasonable to have expected it to ask about such things either. But had she told it about her circumstances, I would have expected it to take them into account in its decision making.

Having considered everything provided by each party to this complaint, I don't think MotoNovo acted unfairly when it agreed to lend to Ms B.

Did MotoNovo act unfairly or unreasonably towards Ms B in some other way?

Once the HP was in place, Ms B made all the repayments in full and on time until she settled the agreement early in July 2023. MotoNovo has provided notes of contact it had with her during the agreement. I can see it contacted her to invite her to get in touch if required during the COVID pandemic, but there is no indication she did so or raised any concerns about managing the repayments. Other than that, there is only contact from Ms B's PR gathering information in the lead up to this complaint.

So having considered all the information provided by both MotoNovo and Ms M, I've seen nothing which suggests MotoNovo treated her unfairly in some other way.

I am sorry to disappoint Ms M, but for the reasons I've already given, I don't think MotoNovo lent to her irresponsibly or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A of the Consumer Credit Act 1974 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 Ms B to accept or reject my decision before 25 June 2025.

Richard Hale  
**Ombudsman**