

The complaint

Mrs C says MotoNovo Finance Limited trading as MotoNovo Finance ('MotoNovo'), irresponsibly lent to her. She says that MotoNovo didn't take reasonable steps to ensure she could afford the repayments towards a hire purchase agreement to purchase a vehicle. She says that MotoNovo didn't make adequate checks to determine if the lending was affordable for her.

Mrs C complaint has been brought by a representative and I've referred to Mrs C and the representatives' comments as being from Mrs C for ease of reading.

What happened

This complaint is about a hire purchase agreement that Mrs C took out to purchase a van in July 2019. The vehicle had a retail price of £18,713. Mrs C paid a £4,453 deposit meaning £14,260 was financed. Mrs C was also provided with a personal loan with a value of £2,852. The term of this was the same.

This agreement was to be repaid through 59 monthly instalments of about £388 followed by a final repayment of £577. £64 of this payment was for the personal loan. If Mrs C made repayments in line with the credit agreement, she would need to repay a total of £24,062 with £3,630 of this being for the loan.

I understand that the van was purchased for Mrs C's son to use in a new business he was starting. Mrs C's son wasn't part of the finance agreement. Although it's reasonable to think that he did contribute to some of the repayments.

Mrs C had some problems repaying the loan during the time of the Covid 19 pandemic, and she paid reduced, or zero, payments (with the agreement of MotoNovo) over this time. The finance was settled in February 2023.

Mrs C complained to MotoNovo saying that, given the size of the agreement, more rigorous checks should have been done before it was approved. MotoNovo considered this complaint, and it didn't uphold it. It thought it'd done reasonable and proportionate checks, which showed that Mrs C could afford the lending. Mrs C didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mrs C's complaint. He thought MotoNovo did proportionate checks, and these showed the loan was affordable.

Mrs C didn't agree with the Investigator. She said that her income should have been verified using a tool provided by the Credit Reference Agencies ('CRA'). There was some further correspondence, but no new issues were raised. As Mrs C didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did MotoNovo complete reasonable and proportionate checks to satisfy itself that Mrs C would be able to repay the credit in a sustainable way?
 - a. if so, did MotoNovo make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mrs C could sustainably repay the borrowing?
2. Did MotoNovo act unfairly or unreasonably in some other way?

And, if I determine that MotoNovo didn't act fairly and reasonably when considering Mrs C's application, I'll also consider what I think is a fair way to put things right.

Did MotoNovo complete reasonable and proportionate checks to satisfy itself that Mrs C would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

MotoNovo have explained that it asked Mrs C some questions about her situation, and she told it that she was a landlord, and her annual income was about £40,000. MotoNovo has said that it didn't verify Mrs C's income.

MotoNovo also said that it looked at some information about Mrs C that was held by the CRA's. This outlined the mortgage arrangements she had in respect of her rental properties. And it also showed she had a modest amount of credit card debt, at about £4,600. There was no evidence of any repayment problems, or other adverse financial indicators, at any point for any of her lending.

Mrs C has provided her current credit report, and this provides broadly the same information as MotoNovo obtained at the time of sale. And it also shows that she didn't go on to have financial problems, other than at around the time of the pandemic. And she doesn't currently have financial problems.

Mrs C says that MotoNovo should have verified her income due to the size of the hire purchase agreement. But Mrs C didn't have an income as such, as the money she received was the proceeds of her landlord business, rather than a payment from an employer. So, I don't think this would be straightforward, although I accept that MotoNovo could have asked for further information about this.

In the absence of this, MotoNovo concentrated on how she managed her existing debt and finances. And I can see that she did already have large mortgage balances, with correspondingly significant monthly repayments. There were no repayment problems with these, So MotoNovo thought the relatively modest credit, in comparison with the mortgage debt she already had, was likely to be affordable for her. This isn't necessarily how an affordability check would ordinarily be performed, but I don't think it was unreasonable here, as Mrs C's specific circumstances were unusual, given where her income came from.

And it's worth noting that Mrs C's complaint was that the business didn't perform proportionate checks. She hasn't said the loan repayments were not affordable for her. Of course, it's reasonable to assume that she thinks this is the case, but she's not provided any detail or supporting evidence to show why this was.

Added to this Mrs C was clearly not in financial difficulty at the time the loan was arranged. And other than at the time of the pandemic she was able to repay the lending and settled the agreement when they wanted an alternative vehicle. Her current credit report also doesn't show she was in any financial difficulty. So, whilst I don't have full information about the affordability of the finance, I think it's very unlikely that further information would lead to the outcome of the complaint being different. Even if I did think that the checks MotoNovo had performed were not proportionate.

So, having considered everything, I think the checks MotoNovo did here were just about proportionate. MotoNovo did find out that Mrs C was a landlord and that she wasn't in any kind of financial difficulty. She did have significant mortgage arrangements to support this, and she was repaying these without problems. I think it reasonably concluded the finance was affordable for her.

Did MotoNovo act unfairly or unreasonably in some other way?

I have 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 it lent irresponsibly to Mrs C 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.

I haven't seen anything to make me think MotoNovo acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mrs C's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 21 October 2025.

Andy Burlinson
Ombudsman