

## **The complaint**

Mr M complains through a representative that FirstRand Bank Limited trading as Motonovo Finance ("Motonovo") failed to carry out proportionate affordability checks – had it done so it wouldn't have lent to him.

## **What happened**

In January 2018, Motonovo provided Mr M with a hire purchase agreement through a credit intermediary for a used car which had a retail price of £7,732.88. In the same hire purchase agreement, there was an additional personal loan of £3,266.12. In total Mr M borrowed £10,999.

The agreement had interest, fees and charges which totalled £3,208.20 and so the total to repay under the agreement was £14,203.20. This agreement was to be repaid with 59 monthly payments of £234.07 followed by a final payment of £393.07. Both parts of the agreement were settled in February 2022.

Motonovo considered Mr M's complaint and didn't uphold it. Mr M's representative then referred the complaint to the Financial Ombudsman where it was considered by an investigator.

The investigator concluded further checks were needed given Mr M's income wasn't checked. However, had further checks been made, Motonovo would've still lent to Mr M.

Mr M's representatives didn't agree saying the amount of disposable income left over – which the investigator had calculated to be just under £400 per month wasn't sufficient to cover food, clothing, vehicle running costs or petrol.

The investigator wasn't persuaded to 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 Mr M's complaint. Having carefully thought about everything I've been provided with I'm not upholding Mr M'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 meant is that Motonovo needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M 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 says before the agreement was entered into it asked Mr M for details of his employment and carried out a credit search. Having thought about this, for the reasons given below, I don't consider the checks to be proportionate.

As part of the application, I can see Motonovo knew Mr M had worked at the same employer full time for at least the last five years. But it doesn't look like Motonovo asked for or obtained details of Mr M's income.

It also doesn't look like Motonovo took details of his monthly outgoings – although Mr M did tell Motonovo that he lived at home with parent(s). But no other details of Mr M's living costs were taken.

Motonovo did carry out a credit search and it's provided a copy of the results it received. The credit reference report didn't show that Mr M was having, or likely having, financial difficulties. There were no County Court Judgments, defaults, missed payments or anything else that may have alerted Motonovo that Mr M was having difficulties.

Mr M only had four active accounts, a credit card owing £710 against a £1,000 limit, two current accounts and an active hire purchase agreement. But as I've said above these had all been paid as expected, with no adverse payment markers.

So, while Motonovo had an idea of Mr M's existing debts, as far as I can see it didn't have any idea of his actual income or what his non-discretionary living costs were. Without this information I can't fairly conclude a proportionate check was conducted when Motonovo didn't appear to have even the most basic of understanding of Mr M's income and expenditure.

I do think, Motonovo needed to, at the very least, obtain Mr M's monthly income. It could've gone about doing this a number of ways. It could've asked for a payslip, bank statements or have used one of the tools that are made available by the credit reference agencies.

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.

Mr M has provided copy bank statements, so I think it's entirely fair and reasonable to view these to see what his monthly income was. Mr M received an income of around £1,271 in the months leading up to the finance being approved. Motonovo would've discovered this had it carried out a proportionate check but as I've said just knowing about Mr M's monthly income wouldn't have been sufficient to say a proportionate check was carried out.

Motonovo also ought to have taken account of his regular living costs as well – these would be payments beyond his credit commitments, so any payments he had for bills or other direct debits. Again, Motonovo could've cross referenced this information a number of ways, it could've asked for copy bank statements, copy bills or any other documentation it

reasonably believed it should gather in order to satisfied itself that it had an idea of what Mr M's actual living costs were.

To be clear, the bank statements are only being used in order to try and establish what Mr M's likely monthly outgoings were. This wasn't and isn't intended to be conduct a full financial review – as I don't think that would've been warranted before Mr M entered the agreement. Having looked at the bank statements provided; I'm not persuaded that further checks would've changed Motonovo's lending decision.

Mr M had very little in the way of regularly living costs – there were only three direct debits set up on the account for a loan – most likely the existing hire purchase, car insurance and a credit card. These costs came to around £330 per month but Mr M's payments to the credit card do fluctuate – indicating that at times he's repaying more than the minimum repayment. In addition, there seems to be a regular payment of around £288 each month which is paid around the time Mr M received his wage.

So, to me, his existing commitments were costing around £620 per month and so after the loan payments Mr M had around £400 to cover the other costs he had such as petrol and food. But even taking account of these costs that Motonovo should've gathered before granting the finance it would've appeared affordable.

There were no signs from the statements that either Mr M was having financial difficulties – or that he was constantly using his overdraft. So even if Motonovo had reviewed his account before agreeing to provide the finance then it would've likely concluded that Mr M was in a position to afford the agreement.

I am therefore not upholding Mr M's complaint because although a proportionate check wasn't carried out by Motonovo I'm not persuaded that such a check would've led it to conclude that the finance agreement was unaffordable for Mr M.

Mr M's representative has said that there was not sufficient amount of disposable income to cover things such as food, petrol and vehicle running costs. I've considered what has been said, but given the circumstances of this complaint to uphold purely because Mr M had around £400 left over each month.

The representative will know there is no set line when disposable income falls below this would lead to an uphold. But what does need to be considered is how much is left over and what are the circumstances of the complaint. In this case, Mr M said he lived at home with parents, so I would expect to see fewer priority bills such as rent and council tax than someone in rented or mortgage accommodation.

The amount left over, and what is fair and reasonable will differ on a case-by-case basis – after all if Mr M had been left with £5 per month that could lead to a different outcome. Here he had almost £400 per month and thinking about his living arrangements and the fact the credit search results showed no payment problems; I'm satisfied that the amount left over – was sufficient for Motonovo to believe that Mr M could afford his repayments without any difficulties.

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 Mr M or otherwise treated him 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 uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 June 2025.

Robert Walker  
**Ombudsman**