DRN-5587406

**The complaint**

Miss H complains that MotoNovo Finance Limited lent to her when she could not afford it by approving a finance agreement to get a car through hire purchase.

Miss H also says that its MotoNovo's fault that she's still has a £4,000 deficit to pay.

**What happened**

On 16 September 2021 MotoNovo offered Miss H £15,500 on credit to get a car. In this decision I have used rounded figures for ease of reading to dispense with the need to include the pence.

Miss H paid a £2,000 deposit and the interest was due to be £3,562. The total to repay was £21,063 which after the deposit had been accounted for was £19,063. The Option to Purchase fee was £1 and included in the final instalment figure. The repayment terms were 48 monthly payments of £248 plus one final payment of £7,147. The car had done just under 43,000 miles. It was made clear in the agreement that Miss H did not become the legal owner until all payments had been made and she was not entitled to sell the car.

Miss H first made an irresponsible lending complaint about the agreement in February 2024. She had obtained several settlement figures between October 2022 and January 2024 and said in her complaint email to MotoNovo:

> *'I took out the loan for this car whilst on universal credit and a student whilst being a single mother.* [sic] *to enable me to afford the payment I have had to use credit cards to withdraw funds. although I didnt* [sic] *miss any payments I did get into debt and had to take out a loan to pay off my credit cards.*
>
> *I also have a huge settlement figure to contend with and the car is only worth a fraction of the cost which will leave me with a £4000 deficit to pay for.'*

After Miss H had complained there was a delay and she and she referred it to the Financial Ombudsman. The MotoNovo final response letter was issued after that in November 2024.

One of our investigators considered the complaint and thought that MotoNovo should put things right for Miss H. MotoNovo disagreed and said:

> *…the customer declared a £35k annual income, which we accepted in good faith, her payment history has no record of missed or late payments and there has been no contact with us evidencing any financial hardship, we respectfully disagree with your view and would like to escalate to an Ombudsman.*

The unresolved complaint was passed to me to decide.

Having reviewed the information I had, I asked both parties for some additional information. I received most of what I had requested, but as the complaint had been unresolved for some time, and as one or both parties had been asked multiple times for the information then I considered it fair and reasonable of me to proceed with what I had on file.

So, on 20 August 2025 I issued a provisional decision setting out my provisional findings and I gave my provisional reasons for coming to a conclusion that I planned not to uphold each part of Miss H's complaint. For ease of reading that is duplicated here.

**What I provisionally decided on 20 August 2025 – 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 Miss H's complaint.

MotoNovo needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss H 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 – suggesting the lender needed to know more about a prospective borrower's ability to repay.

MotoNovo has told us Miss H declared an income of £35,000 a year and has said:

> '*The customers annual income was obtained at the point of purchase however verification of their income/expenditure was not completed.'*

For a credit agreement for a significant sum and over several years I'd have expected MotoNovo to have verified this. I have noticed that MotoNovo's submission for me to consider is that the £35,000 a year was accepted by it in good faith and so it is saying that this was satisfactory. But I don't consider that amounted to compliance within the regulatory framework surrounding responsible lending. I've dealt with Miss H's actual income in detail later in the decision.

MotoNovo has supplied us with a short summary of the credit search it carried out on Miss H in September 2021. Miss H had no adverse data recorded about repayments. Miss H had a bank account, a communications contract and five credit cards of which some had outstanding balances which were well under the limit and no repayment issues. The total outstanding on the three cards with balances was £14,484. Minimum repayments on that total balance each month using 3% likely amounted to around £435 each month. This is a monthly repayment figure which I use later in the decision.

However, there are no further documents to evidence how MotoNovo assessed whether Miss H could afford the car finance or not. And so, in the absence of that evidence I consider that it did not carry out proportionate checks. And so, I think it ought to have done more in relation to her income and her outgoings before approving the finance.

Asking Miss H for further information about her financial situation may have involved her supplying copies of utility bills, copy payslips and evidence of other expenditure and credit accounts for which she was liable. A convenient method, one of several available, was to have reviewed copies of Miss H's bank account statements which usually show a wider picture of her finances and how she was managing her money.

We have received copies of Miss H's bank account transactions and I have reviewed them.

***Income***

The information I received after I had asked Miss H for clarification on a number of points included the fact that in 2021 she was a mature student with a child and so had experience of working before. But Miss H has confirmed that during her studying year she was not receiving any income from a job. The information Miss H provided to me included details of her financial position in September 2021 when she approached MotoNovo for the finance.

Miss H has confirmed that the bursary money from the Learning Support Fund ("the Fund") she received was to help towards the living costs for her home and herself and family that she had at the time. Miss H has confirmed that these were not loans as bursaries are not expected to be repaid. I asked for a complete list of all payments from the Fund and this was sent to me which I have reviewed. If MotoNovo had asked for more details surrounding her income I consider that this document Miss H has sent me would have been readily available for it to have seen.

That bursary document confirms that the Fund paid Miss H for the academic year commencing September 2020 a sum of £2,310 for the first two terms (£2,380 for term 3) plus additional payments to cover travel and these were listed as a total 'one off' payments sum of £1,663. The last termly payment was made July 2021 and the last one off payment was October 2021 (after the MotoNovo agreement). The one before that was August 2021. These figures accord with what I've seen on the bank account statements as £2,380 credited her account in July 2021 and £424 in August 2021. Dividing the £2,380 into four to account for it being a termly figure (three terms a year) and therefore was meant to cover four months, that translates into £595 each month. This is the monthly figure I have used. The £424 figure received by Miss H for her reimbursed travel expenses I deal with later in the decision. I've not included that as 'income'.

As for other assistance it seems from reviewing her bank statements that Miss H received monthly Universal Credit (UC), child benefit each four weeks and she received regular monthly maintenance payments for a child from an ex-partner. Plus, Miss H has said that she was financially supported by her current partner. Had MotoNovo obtained a deeper understanding of the money she was receiving then I think that it would have seen these payments into her account.

Using the figures I've seen credit her account for July 2021 and for August 2021, then for July 2021, Miss H received £595 (being the apportioned figure from the bursary), £152 a month child benefit (calculated as a monthly payment rather than as a four weekly payment), Universal Credit (UC) of £906, and regular child maintenance figure from her ex-partner of £425. This all added up to £2,078.

And in August 2021 Miss H received £595 (the apportioned bursary sum), £152 child benefit, £906 UC, £608 personal independence payment and £425 from her ex-partner. This all comes to £2,686.

I don't have a copy of a bank statement for September 2021. I requested a copy, and I understand Miss H has tried to get it from her bank but as this account closed in 2022 then that's not been easy. And in any event, as Miss H took the agreement with MotoNovo in mid-September 2021 then the statement would have been useful for only half of that month.

***Expenditure – general and credit commitments***

As for Miss H's general expenditure – and by this I mean the items for which she had no discretion as to whether they were paid or not as she was committed to paying them – then the bank statements confirm that Miss H paid £607 a month to her landlord plus an additional £31 each month to the same company which must be associated with her rent or service charges. So that total cost was £638.

The bank statements are unclear on regular bills costs, but Miss H has confirmed when I asked her - water was £75 a quarter (£25 a month), oil £550 a year (£46 a month) and electricity £10 a month. These add up to £81 each month. Miss H had no council tax as she got a student exemption for the time she was studying.

Our investigator in his calculations had used very large figures for Miss H's payments to her credit cards. And it seems that our investigator used the total amounts Miss H used to repay her credit cards each month which in July 2021 amounted to £1,644 on one card and almost £800 to another. And in August came to about £1,600 across two cards. As I have already identified that the minimum repayment cost each month for her total credit card debt in September 2021 would have been around £435 a month (about which MotoNovo knew), then I consider this the more realistic and fairer figure to factor into the equation. It's not at all likely that Miss H was paying, and going to be continuing to pay, between £1,000 and £2,000 a month to her credit cards. So, I consider it fair and reasonable and the usual approach for MotoNovo to have used a minimum expected 3% repayment figure for her total credit card debt of £435 a month.

Miss H has said she paid around £200 a month on food. There would have been additional sums such as insurances, TV licence, TV streaming, broadband and/or communications contracts and the like. And so, I have added a further £100 a month for this.

Miss H has said she paid around £150 a month on petrol and car maintenance costs and I can see that she was reimbursed for those costs from the learning fund. And so, I have not included this figure in her expenditure as I've seen from the bursary documents Miss H sent to me that she was reimbursed for travel costs. And those reimbursement figures for travel expenses look to have been more than just the petrol cost. And to be fair with the figures I have not included the reimbursement sums as her income.

So, I consider that Miss H's regular outgoings for rent, bills, food, the additional (say) £100 a month for other bills plus the credit card minimum payment monthly cost all came to £1,454. Miss H also paid professional fees each month of £114. So, the total monthly outgoings were £1,568.

Using the two income figures I have for July and August 2021 then it seems that Miss H had enough to pay for the MotoNovo car finance. And I have calculated that in both months she would have at least £624 left over with which to pay for the car. The lower July income leads me to this £624 figure. And so even if some of the expenditure items I have identified are on the low side, or, for example, Miss H usually spent more on food than the £200 a month she has told us and I have used, then still I consider that she'd be able to afford the car.

There are some non-discretionary items MotoNovo has seen from the copy bank statements it has received and it has raised a couple of these with our investigator. I address that here. The references associated with a few of the bank transactions identified by MotoNovo show that these may have related to costs or reimbursements for a holiday. I can say no more than that. I have not included them in the income and expenditure assessment I have carried out, but I am aware that they were present.

And there was reference to £1,200 being received for a car. MotoNovo has raised this point as well. And I have asked Miss H about the that £1,200 credit on 5 July 2021 marked 'car' and my current understanding is that Miss H had a BMW car before she bought this Mercedes using MotoNovo. And that BMW was the one I think Miss H was referring to when she has explained that it '*blew up'* and she sold it for scrap. That would demonstrate to me that Miss H had been running a car before. In fact, her personal credit file does show she had had a hire purchase agreement before this MotoNovo one which had commenced November 2018 and had ended in March 2019. So, it seems likely Miss H kept that BMW until it could not be used. Her bursary document also shows travel expenses reimbursements from the Fund which would further solidify this set of facts in my mind. And it dovetails with Miss H's explanation that she needed a car to get to her college for the studying. It would also explain why she had approached MotoNovo in September 2021 to buy the Mercedes when the other one was out of action. If I've got any of this likely sequence of events wrong then Miss H has time to correct them by responding – with evidence – to this provisional decision.

On the irresponsible lending part, overall I consider that MotoNovo ought to have verified Miss H's income, and it ought to have had a better understanding of her expenditure figures before lending. If it had delved deeper I think that it would have identified that Miss H could afford the £248 a month for the car. Miss H has explained to me that she needed the car. And it sounds like it was a replacement car for one that she sold for scrap.

**What happened to the agreement?**

On 5 April 2024 Miss H settled the finance agreement by repaying a lump sum of £10,713. She received a rebate of £903. Miss H had sold the car to get the money to repay it. And she received a letter from MotoNovo dated 6 April 2024 to confirm that it no longer had an interest in the car. I have seen that letter. Miss H told MotoNovo: '*The finance has now been paid off due to me selling the vehicle But this has left me with considerable debt'*

Miss H has referred to a £4,000 sum. Miss H has said that she used a 0% credit card to use to make the MotoNovo payments. She has recently paid that off and that would have been around December 2024 or January 2025.

Miss H's contention – so far as I understand it – seems to be that a debt she ran up was linked to the MotoNovo decision to lend to her to be able to buy the Mercedes. But it's still unclear. I have asked Miss H several times about this. I've received no documentation.

What I do have from MotoNovo is that the Mercedes car has been paid off and there's no further liability. And so, I can't take this part surrounding Miss H's contention of a £4,000 deficit any further. And in any event, my provisional decision on the evidence I have is that MotoNovo did not lend irresponsibly.

**Complaint handling**

I wrote to MotoNovo asking it about the complaint handling. I had seen from correspondence copies and the MotoNovo complaint investigation notes that Miss H raised this complaint on 6 February 2024 and it was not responded to with its final response letter until November 2024 which was after it had been referred through us. I asked MotoNovo why there had been such a delay and I received no response.

Using its account notes and copy correspondence, I've read that MotoNovo wrote to Miss H to acknowledge the complaint on 9 February 2024, it asked for Miss H's copy payslips and bank account statements for July, August and September 2021 to assist with the investigation. And I've seen a further email in April 2024 telling Miss H MotoNovo had a high volume of emails at that time and asked for Miss H's patience.

There is reference on 22 April 2024 where MotoNovo apologised to Miss H and said that it had issued her with the '56 day letter' which meant that she could refer her complaint to the Financial Ombudsman Service. Miss H heard nothing more and then in October 2024 she did refer her complaint to us.

So, I am satisfied that MotoNovo had commenced the complaint process and although there may have been a delay ultimately Miss H did refer it to us and so it has been investigated. But I've not seen that Miss H was inconvenienced in any way and she did receive the 56 day letter which gave her direction as to where to go next. So, I don't consider that any compensation is justified.

This is the end of the duplicated 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.

MotoNovo has replied to say that it has nothing further to add.

I did say in my provisional decision that if I had got any of the detail wrong Miss H had time to clarify points and send in further evidence to explain. Miss H has not responded. From this I proceed on the basis that my provisional findings were correct. And in the absence of anything further from either party, I have no reason to depart from the findings I made in my provisional decision. And so, for the reasons given in that provisional decision which has been duplicated in this final decision, I do not uphold the complaint.

I've also considered whether MotoNovo acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Miss H 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

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 2 October 2025.

Rachael Williams
**Ombudsman**