

The complaint

Mr D, who is represented by a third party, complains that FirstRand Bank Limited, trading as MotoNovo Finance ("MotoNovo"), irresponsibly granted him a hire purchase agreement he couldn't afford to repay.

What happened

In April 2014, Mr D acquired a used car financed by a hire purchase agreement from MotoNovo. Mr D was required to make 59 monthly repayments of £190.30 with a final payment due of £349.30. Mr D paid a deposit of £450. The total repayable under the agreement was £12,027.

Mr D settled the agreement in September 2018.

Our investigator, having completed his review of the complaint, recommended that it be upheld. He thought MotoNovo ought to have completed better checks before agreeing the finance. If it had done so, it would have seen that the agreement wasn't affordable and that it was unlikely that Mr D would be able to repay it on a sustainable basis.

As MotoNovo hasn't been able to confirm if it agrees with our investigator's finding in the time frame our investigator provided, the complaint has been passed to me for 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr D's complaint.

I've seen the details Mr D provided on his application. He confirmed his full-time occupation and also that he was living at home with his parents. What I haven't seen though is details about his level of income. And without having that information it doesn't look as if MotoNovo was able to take any steps to verify Mr D's income before approving him for the finance. Nor have I seen anything else to show what MotoNovo did to properly establish his income at the time. I think this is an important issue given the overall size of the borrowing, the monthly repayments and the five-year term of the agreement. I therefore think it would have been proportionate for MotoNovo to have done more to verify Mr D's income as part of its enquiries in order to ensure the agreement was affordable.

Whilst MotoNovo had found out that Mr D was living at home, it also didn't ask him about his typical monthly expenditure. MotoNovo carried out a credit check to find out how much credit Mr D owed elsewhere. But on its own, that wouldn't be enough to give a full account of what Mr D's regular living expenses were. Without knowing more about Mr D's regular committed expenditure, I don't think MotoNovo would have gained a reasonable understanding as to

whether the agreement was affordable or not. It therefore didn't complete proportionate checks

I can't be sure exactly what MotoNovo would have found out had it carried out better, more proportionate checks. But if it had asked, in the absence of anything else, I think it would be reasonable to place significant weight on the information contained in Mr D's bank statements as to what would most likely have been disclosed.

I've reviewed the same bank statements leading up to the lending decision as our investigator has done – and copies have been sent to MotoNovo. In terms of income, these show Mr D's earned income and some working tax credit. I agree this averages out to a monthly income of around £760. Like our investigator, I've next looked at what Mr D had to pay by way of essential spending – that is existing credit, daily living costs but also household costs. Broadly speaking, I agree that these worked out on average to be around £460. So Mr D would be left with around £300 each month by way of disposable income.

But what our investigator identified as an important issue following his initial review of the complaint – and I think it's an important one – is that Mr D's spending doesn't show what he was paying by way of contribution towards living at home with his parents. The only real exception I've seen is a payment to an electricity utility company in January 2013 for £39 and occasional food shopping. Similarly there's no evidence of rent being paid. Those representing Mr D confirmed that he paid towards household costs and also bought food and petrol, but that this was all done by way of cash payments. I've seen that Mr D was taking out around £230 by way of cash from his bank account each month. I don't think it's reasonable to suggest that the whole amount was likely being used as a household contribution. If we say he was contributing £100 to his parents to help pay his way, he would be left with only £200. That's barely enough to meet the cost of the new agreement. And as our investigator has suggested, were the contribution to be only £40 for food and rent, he would be left with only £70 after paying the new agreement. I think that suggests very strongly that it would be a struggle for Mr D to consistently meet his repayments in a sustainable manner month on month for five years.

I am therefore satisfied that he didn't have enough disposable income to afford the additional borrowing. MotoNovo therefore didn't act fairly by approving the finance.

I've considered whether the relationship between Mr D and MotoNovo might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr D results in fair compensation for him in all the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right – what MotoNovo needs to do

As I don't think MotoNovo ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. Mr D should therefore only have to pay the original cash price of the car, being £9,295. Anything Mr D has paid in excess of that amount should be refunded as an overpayment.

To settle Mr D's complaint MotoNovo should do the following:

- Refund any payments Mr D has made in excess of £9,295 representing the original cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.

- Remove any adverse information recorded on Mr D's credit file regarding the agreement.

*HM Revenue & Customs requires MotoNovo to take off tax from this interest. MotoNovo must give Mr D a certificate showing how much tax it's taken off if Mr D asks for one.

My final decision

I uphold this complaint and direct FirstRand Bank Limited, trading as MotoNovo Finance, to put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 July 2025.

Michael Goldberg

Ombudsman