

The complaint

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

What happened

In March 2021 Mr P acquired a used car financed by a hire purchase agreement from MotoNovo. The cash price of the car was £8,400 and Mr P was required to make 37 monthly repayments of £235.62. Mr P paid a deposit equivalent to £2,551.25. The total repayable under the agreement was £9,639.57.

Mr P settled the agreement in January 2024.

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

MotoNovo doesn't agree with our investigator's uphold finding and also says that in any event, it doesn't have to compensate Mr P as he's paid less than the value of the car.

The complaint has therefore been passed 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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr P's complaint.

I've seen the details Mr P provided on his finance application. He confirmed he was self-employed, gave details of his occupation and was renting his home with his partner. He gave his monthly income although I can't see what MotoNovo did to verify this – something I think was especially relevant here given Mr P's self-employed status and that he was taking on a significant financial commitment. I therefore think it would have been proportionate for MotoNovo to have done more to verify Mr P's income as part of its enquiries in order to ensure the agreement was affordable.

MotoNovo also didn't ask him about his typical monthly expenditure. MotoNovo did though carry out a credit check to find out how much credit Mr P owed elsewhere. He had three active loans, two credit cards and was paying for a mobile phone. It also looks as if he was making use of an overdraft facility with his bank. There were no adverse markings on his credit file, such as mounting arrears or accounts going into default.

But seeing details about credit isn't enough to give a full account of what Mr P's regular living expenses were. Without knowing more about Mr P's regular committed expenditure, I don't think MotoNovo would have gained a reasonable understanding as to whether the agreement was affordable or not. Again, I think this is a particular concern given that he was self-employed and MotoNovo doesn't appear to have taken steps to establish what his typical income was likely to be – and to do that against the background of his overall financial commitments.

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 P's bank statements as to what would most likely have been disclosed. We received copies of statements from the 3 months leading up to the agreement. Copies have also been sent to MotoNovo

Having reviewed the bank statements leading up to the lending decision, I'm in broad agreement with our investigator that, had MotoNovo carried out better checks, it would have seen that the new agreement was unlikely to be affordable for Mr P, or something that he'd be able to pay sustainably going forwards. I agree that his income during this time averaged out at around £1,400 a month. But almost half of that was by way of an HMRC grant to help support self-employed individuals affected by a business downturn due to the pandemic.

I've next looked at what Mr P had to pay by way of essential spending – that is, existing credit, and also household costs and daily living costs, such as travel and car use. I can see payments towards food shopping, insurance, car and petrol costs, plus a regular payment of £570 to his partner towards other household bills, including rent. I agree that all this worked out to an average of just over £1,200 per month. So Mr P would be left with around £200 each month by way of disposable income – which falls short of being enough to meet the monthly cost of the new agreement.

I think that suggests very strongly that it would be a struggle for Mr P to consistently meet his repayments in a sustainable manner month on month for the full length of the agreement.

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.

MotoNovo says that because Mr P only made 7 payments before settling the agreement, it doesn't have enough to show that the agreement wasn't sustainable. It also says that his settling it early suggests the agreement was affordable, plus the fact that Mr P never appeared to have difficulty meeting the repayments he made. I don't consider that what happened after MotoNovo made its lending decision in terms of paying off and ending the agreement affects my uphold finding. In making my decision I have to look at the information that was available, or likely to have been available, to a business at the time it was looking into whether to approve the finance. In doing so, it wouldn't be appropriate to rely on hindsight.

MotoNovo also says Mr P paid less than the cash value of the car and so that means it doesn't need to refund him anything. I don't agree. As our investigator explained, Mr P was required to pay a deposit of £2,551.25. He then made 7 monthly repayments and then had to find a further £5,030.13 when he settled the agreement. That all totals £8,959.47 which is more than the £8,400 cash value of the car. Our general approach to redress in these cases, which MotoNovo is aware of, is to compensate the consumer for any payments made over the cash price of the car, plus interest. I see no reason why that approach shouldn't apply here.

I've considered whether the relationship between Mr P 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 P 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 P should therefore only have to pay the original cash price of the car, being £8,400. Anything Mr P has paid in excess of that amount should be refunded as an overpayment.

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

- Refund any payments Mr P has made in excess of £8,400, 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 P's credit file regarding the agreement.

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

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 21 November 2025.

Michael Goldberg

Ombudsman