

The complaint

Ms J complains that FirstRand Bank Limited trading as Motonovo Finance ('Motonovo') entered into a Hire Purchase agreement with her when it was unaffordable.

She complained using a professional representative, but for ease I'll refer to Ms J throughout.

What happened

In May 2015, Ms J acquired a vehicle, which cost £5,594.95. After paying a part-exchange deposit of £300.00, Ms J borrowed the remaining £5,294.95 through a Hire Purchase agreement with Motonovo.

The agreement was due to run for 60 months, with 59 payments of £110.67 and a final payment of £260.67, which included an admin fee of £140.00 and an optional purchase fee of £10.00. This meant the total amount payable under the agreement was £7,090.20, of which £1,495.25 was interest, fees and charges.

Ms J complained in April 2024, saying that Motonovo failed in its duty to carry out proportionate affordability checks.

Motonovo responded to the complaint in October 2024. It said it had carried out proportionate checks, including using credit reference agency information, and any adverse information recorded there wasn't enough to indicate Ms J was struggling with her finances.

I can see Ms J has also raised a complaint about the commission paid to the credit broker that introduced her business. That complaint is separate to this one and so far we've only looked at whether Motonovo acted fairly and reasonably in agreeing to lend to Ms J.

An investigator considered Ms J's affordability complaint. They felt Motonovo's checks weren't enough to fairly indicate the agreement would be affordable. They went on to consider Ms J's income and expenditure and found Ms J wouldn't have had enough disposable income to cover the repayments due under the agreement while also being able to sustainably repay her existing debts. So they felt Ms J should be refunded any costs over and above the cash price of the car along with adverse information being removed from her credit file.

Motonovo didn't agree with the investigator's opinion. It said that Ms J's subsequent ability to manage her credit cards, the Hire Purchase agreement and also successfully obtain further credit after taking out the agreement, suggested that the agreement was affordable at the time.

This didn't alter their opinion and, as Motonovo disagreed with the investigator, the complaint 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.

I'll make my decision based on the balance of probabilities – that means what I consider to have more likely than not happened – given the available information, including where information or evidence is missing or contradictory.

In order to reach my decision, I will first consider whether the checks were proportionate given the circumstances of the lending. If they were, I will go on to consider whether Motonovo made a fair lending decision. If they weren't, I will consider what proportionate checks would've told Motonovo.

Did Motonovo carry out proportionate checks to ensure Ms J could make the monthly repayments to this agreement?

Before lending, Motonovo needed to ensure it wasn't lending irresponsibly. In doing so, it had to carry out proportionate checks to establish the repayments were affordable for Ms J.

There are no specific checks that lenders must carry out, but they should have been proportionate to the circumstances based on what Motonovo knew about Ms J. You might expect checks to be more thorough for a consumer, for example, with lower income or previous debt issues. But the expectation of more detailed checks being carried out may be lower where, for example, the amount borrowed is low or the borrower has a long history of maintaining credit well. But there's no hard and fast rules and what's proportionate will vary depending on the circumstances.

Motonovo confirmed that it didn't take steps to obtain Ms J's income or verify her income or expenditure, before granting the credit.

The credit check Motonovo carried out evidenced that Ms J had over £4,200 of credit card balances, over £600 of mail order account balances, a current account overdraft of nearly £740 and a loan balance of over £1,500. Her mail order accounts both had one month of arrears three months before the application. Motonovo said the application was automatically accepted on this basis.

Ms J being in arrears on two separate accounts three months prior to this application demonstrates that she had very recently missed payments. I think this was an indication that she may have been finding it difficult to maintain her existing credit commitments. Given the requirements in the regulator's rules to consider whether a borrower would be able to sustainably repay meet the repayments, it's clear the checks outlined weren't proportionate in the circumstances as Motonovo already knew Ms J had recently failed to maintain her commitments on more than one of her accounts. And advancing further credit without even knowing her income meant Motonovo didn't have sufficient information to conclude that further credit repayments would be affordable and sustainable. At a minimum, it should have taken steps to find out more about Ms J's income and expenditure.

What would proportionate checks have told Motonovo?

As I've concluded that Motonovo's checks weren't proportionate in these circumstances, I've gone on to consider what would've more than likely been found out if it had carried out such checks.

I've explained that for Motonovo's checks to have been proportionate, it needed to find out more about Ms J's income and actual living costs. I can't guarantee what information it would have been provided with or what would have been evidenced in this information, if requested, at the time. However we've been provided with a copy of Ms J's bank statements which cover the months leading up to the application.

I wish to be clear in saying that Motonovo was not required to request this specific information before it lent to Ms J. Nonetheless, I consider this information to be a reliable resource as it contains all I now need and is information I can reasonably consider in order to recreate what a proportionate check would more likely than not have shown at the time.

I should say from the outset that I broadly agree with the investigator's assessment of Ms J's income and expenditure.

Based on her non-discretionary expenditure and the debt repayments she was making at the time, she did have just about enough disposable income to cover the monthly repayments for this agreement. However this was in the context of her having missed payments on two of her credit accounts in the months leading up to the application. So her repayments towards credit should've been higher in those months. And after factoring in what sustainable repayments would have been to her running account credit balances of around £5,500, rather than the minimum payment, I think it's fair to say that she would have had very little to no disposable income – and on average not enough for her to sustainably maintain all of her credit commitments as well as the repayments to this agreement along with her other committed expenditure.

Motonovo has argued that, based on a subsequent credit check, Ms J didn't miss further payments to her credit card accounts and her balance had decreased on one of them. It says she also made all the repayments for this Hire Purchase agreement and was able to take out further credit afterwards. It says these factors indicate the agreement was affordable and didn't cause her to struggle to manage her finances.

I don't necessarily agree with that assessment. But I should explain that the complaint Ms J has made is about the affordability checks Motonovo carried out at the point of application and the lending decision it made as a result. What happened after Ms J took on the agreement doesn't necessarily reflect the reasonableness of the lending decision made at the time. If Ms J had gone on to improve her credit position, which is what Motonovo has argued, then she may have done so by borrowing from elsewhere, by it impacting her ability to meet other essential expenditure, or by it having an adverse impact on her financial situation generally. So a superficial indication that her finances had improved over time, wouldn't necessarily mean anything.

Furthermore, having reviewed the information on Ms J's circumstances at the time of Motonovo's lending decision, it seems to me that a large proportion of her income was taken up by her rent and other living expenses. And when payments to her existing credit commitments are then factored in, I'm satisfied that she does not have sufficient funds to be able to sustainably make the repayments to this agreement. The fact that Ms J may not have gone on to have had significant adverse information recorded against her by Credit Reference Agencies wouldn't change this. This is especially as Ms J was borrowing from family in order to mitigate her difficulties.

In summary, Motonovo's affordability checks were minimal and were not proportionate in the circumstances. Had Motonovo carried out proportionate checks and considered Ms J's committed expenditure and sustainable payments to her existing debts, it would have shown that Ms J didn't have sufficient disposable income to meet the repayments for this agreement.

Putting things right

Ms J's agreement ran its full term and so the agreement was settled in full. Because of this, I'm satisfied it would be fair and reasonable in all the circumstances of the case for Motonovo to put things right for Ms J by:

- refunding any and all interest, fees and charges she paid as a result of this agreement
- adding interest at 8% per year simple on any refunded payments from the date they were originally made by Ms J to the date of settlement†
- removing any and all adverse information it may have recorded on Ms J's credit file as a result of this agreement.

† HM Revenue & Customs requires Motonovo to take off tax from this interest. Motonovo must give Ms J a certificate showing how much tax it has taken off if she asks for one.

My final decision

My final decision is that I uphold Ms J's complaint against FirstRand Bank Limited trading as Motonovo Finance. It must settle the complaint in line with what's outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 23 October 2025.

Scott Walker
Ombudsman