

The complaint

Mr G complains that MotoNovo Finance Limited (“Motonovo”) entered into a Hire Purchase agreement with him when it was unaffordable.

The complaint has been brought using a professional representative, but I’ll refer to Mr G throughout.

What happened

In May 2020, Mr G acquired a vehicle, which cost £14,587.00. After paying a deposit of £99.00, Mr G borrowed the remaining £14,488.00 through a Hire Purchase agreement with Motonovo.

The agreement was due to run for 49 months, with 48 payments of £295.52 and a final optional payment of £4,909.75. This meant the total amount payable under the agreement was £19,193.71, of which £4,606.71 was interest, fees and charges.

Mr G complained in October 2024, saying that Motonovo didn’t carry out sufficient checks to make sure he could afford the repayments and he didn’t have sufficient disposable income to do so.

Motonovo responded to the complaint in January 2025. It said it carried out credit checks before lending and the limited adverse information it found didn’t indicate that Mr G was under financial pressure at the time of application.

Mr G referred his complaint to our service. An investigator considered his complaint and felt that Motonovo’s checks weren’t proportionate because of the amount of credit being advanced. They also found that if proportionate checks had been carried out then it would have been found that the repayments under the agreement weren’t affordable.

As the agreement was settled early and in full, they said Mr G should be refunded anything he paid above the cash price of the car and any adverse information recorded on his credit file should be removed.

Motonovo disagreed with the investigator’s opinion and 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 Mr G 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 Mr G.

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 Mr G. 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 said Mr G's income of £32,465 was taken at the point of application and no verification of his income or expenditure was completed. The lending decision was based on the credit checks carried out and the information obtained by the dealer-broker.

The checks showed he had six active credit card accounts with balances totalling over £3,400. He had three active loans with balances totalling over £19,300. He had a public utility account and communications account with balances totalling over £400. So he had unsecured debts of over £23,000. He also had a mortgage balance of over £87,000. These accounts were all up to date, without any missed payments. But he did have an account that had defaulted just over a year prior to application.

These are relatively sizable debts and he'd taken a loan of £7,500 just two months prior. Given how recent that increase in his indebtedness was, the credit check in isolation didn't adequately demonstrate how well he was managing his expenditure overall in the context of that new level of indebtedness. The fixed monthly payments to the loans were over £420 and sustainable payments to his credit cards would have been in the region of £170. After his mortgage payment of £60 he would've been paying about 30% of his salary towards debts and after the monthly payment for this agreement, around 44% of his salary, based on the figure he'd declared, would be going towards repayments to credit.

Motonovo didn't seek to corroborate Mr G's income figure with any external information or find out anything about his expenditure, before further increasing his indebtedness. I think it should have done so. Although MotoNovo believed Mr G was managing his existing debts, he'd defaulted on an account only 16 months prior to this application and had already significantly increased his indebtedness recently. I don't think it was reasonable or proportionate in those circumstances to base its assessment of Mr G's income on a declared income figure and his expenditure on his current debts.

Bearing all of this in mind, I'm not persuaded that the checks MotoNovo carried out before accepting Mr G's application were proportionate.

What would proportionate checks have shown 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 about Mr G's actual living costs and carry out some form of check on Mr G's declared income. 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 Mr G'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 Mr G. 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.

Mr G stated his income was just over £32,000, which equates to a monthly take home salary of around £2,100. His bank statements show that his average income in the few months leading up to the application was just under £2,185 and four-weekly Child Benefit payments were around £90 per month. So his monthly income was around £2,300 per month which, was broadly in line with what he had declared, allowing for tax fluctuations and given he possibly didn't include the Child Benefit payments.

Looking into Mr G's expenditure, his bank statements show a pattern of expenditure that isn't always consistent. However on average he generally has very little disposable income to cover his existing expenditure before taking into account the monthly repayments for this agreement.

In some months he received significant payments from third parties and in others he received minimal payments – and he made inconsistent outgoing payments to third parties too. However in months where he received significant payments, he had even less disposable income. So the net effect of payments received by third parties did not improve his financial position such that it would make the repayments seem more affordable on average. At one point Mr G received a credit from what seems like a personal injury claim, but this was a one-off and I don't think that would have significantly altered Mr G's ability to make the repayments over the life of the agreement. But as these incoming and outgoing payments are inconsistent, I've essentially discounted them, as I'm not persuaded Motonovo would have found out about them after reasonable further enquiries into Mr G's finances.

Motonovo has argued that certain payments in Mr G's bank statements don't represent essential expenditure. To some extent I agree that there are areas of non-essential expenditure. But I have only considered non-discretionary expenditure when thinking about what Mr G had to pay towards each month and excluded payments I consider do not meet that definition.

In some months he likely had enough disposable to cover the monthly repayments, but in others he did not – and sometimes he didn't have enough to cover his committed expenditure even before factoring in the proposed monthly payment. So I'm not persuaded that upon receiving information about Mr G's outgoings, and the way he was managing his finances, Motonovo would have been in a position to consider him able to meet the repayments in way that didn't cause him to suffer financially.

What's also clear is that he had been relying on short term and high cost credit in order to repay large debts in the lead up to the application – and looking at this picture would have shown that further debt was likely to put significant strain on Mr G's finances and impact his ability to meet his other essential expenditure without having to borrow further. Had Mr G not reduced these balances using short term and high cost credit, his outstanding credit

balances at the point of application and monthly payments towards them would have been even higher than they already were.

Had Motonovo asked Mr G about his areas of expenditure, I think it would have become apparent that having to make the required repayments to the agreement would cause him to struggle financially. His outstanding credit balances at the point of application were significant and had been paid down by borrowing using unsustainable sources of credit. I'm also mindful that Mr G made no attempt to exaggerate his income in order to increase his chances of his application being accepted. With this in mind, I don't think it unreasonable to conclude that Mr G would have declared the areas of expenditure he was actually responsible for if he'd been asked.

Furthermore, Mr G's finances at this point were increasingly reliant upon short term and high cost credit, which would likely have been evident after carrying out further checks. And it's not clear how extending further credit would have been determined to be affordable at the point of application once Motonovo knew what it ought to have found out through proportionate checks.

Motonovo asked for evidence that Mr G had lost out as a result of taking out the agreement. It has referred to Mr G's payments being structured and him not having missed any. However, I don't consider Mr G's payment record to be surprising. After all, the information in the bank statements, which MotoNovo has seen, show that Mr G was cycling debt around and borrowing to make repayments. This isn't a sustainable strategy for repaying. Indeed the regulator's rules clearly state that a lender shouldn't rely on a customer having to borrow further in order to make their payments. As this is the case, bearing in mind what I've seen, I'm not persuaded that Mr G making his payments on this agreement is, in itself, demonstrative of MotoNovo having acted fairly and reasonably towards him.

In reaching my conclusions, I've also considered whether the lending relationship between Motonovo and Mr G might have been unfair to Mr G under s140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct Motonovo to do below results in fair compensation for Mr G given the overall circumstances of his complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

The information I have indicates that Mr G's account was settled early. 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 Mr G by:

- refunding any and all interest, fees and charges he 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 Mr G to the date of settlement†
- removing any and all adverse information it may have recorded on Mr G's credit file as a result of this agreement.

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

My final decision

My final decision is that I uphold Mr G's complaint against MotoNovo Finance Limited. It must now settle the complaint in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 October 2025.

Scott Walker
Ombudsman