

## **The complaint**

Mr M complains through a representative that MotoNovo Finance Limited (“Motonovo”) failed to undertake a proportionate affordability assessment before lending.

## **What happened**

In August 2019, Motonovo provided Mr M with a hire purchase agreement through a credit intermediary for a used car which had a retail price of £9,290. Mr M paid a £200 cash deposit and also received £1,300 for a part exchange of his existing vehicle.

The agreement had interest, fees and charges which totalled £1,109.36 and so the total to repay under the agreement was £10,400.36. This agreement was to be repaid with 36 monthly payments of £168.54 followed by a final optional payment to own the vehicle of £2,832.92. The agreement was settled in September 2022.

Motonovo considered Mr M’s complaint and didn’t uphold it. Mr M’s representative then referred the complaint to the Financial Ombudsman where it was considered by an Investigator.

The investigator concluded further checks were needed given Mr M’s income wasn’t checked and Motonovo didn’t know about Mr M’s non-discretionary expenditure. However, had further checks been made, Motonovo would’ve still lent to Mr M.

Mr M’s representatives didn’t agree saying the Investigator needed to ensure the agreement was affordable for Mr M – based on his bank statements – which show the agreement is unaffordable.

The Investigator wasn’t persuaded to change their mind about the outcome and as no agreement could be reached the complaint has been passed to me to decide.

## **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 irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr M’s complaint. Having carefully thought about everything I’ve been provided with I’m not upholding Mr M’s complaint. I’ll explain why in more detail here.

Motonovo needed to make sure that it didn’t lend irresponsibly. In practice, what this meant is that Motonovo needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M 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 – suggested the lender needed to know more about a prospective borrower's ability to repay.

Motonovo says before the agreement was entered into it asked Mr M for details of his employment and carried out a credit search. Having thought about this, for the reasons given below, I don't consider the checks to be proportionate.

As part of the application, I can see Motonovo was told that Mr M received an annual gross salary of £35,000. But it didn't take any steps to either verify this or use any of the industry wide tools to cross check this. I do think, Motonovo needed to check the income Mr M declared.

It also doesn't look like Motonovo took details of his monthly outgoings – although Mr M did tell Motonovo that he lived with his partner. But no other details of Mr M's living costs were taken or assessed.

Motonovo did carry out a credit search, and it has provided a copy of the results it received. The results didn't show that Mr M was having, or likely having, financial difficulties. There were no County Court Judgments, missed payments or anything else that may have alerted Motonovo that Mr M was having difficulties.

Mr M only had five credit cards – owing £3,218 which was well within the credit limits provided. There was also an active current account with a £1,000 overdraft but the information provided showed the account was in credit. But as I've said above these had all been paid as expected, with no adverse payment markers.

There was a default from a payday loan account in or around 2013, and the account had been settled in 2017. Given this was the only piece of adverse payment information in Mr M's credit file, I don't think Motonovo ought to have been overly concerned by it.

So, while Motonovo had an idea of Mr M's existing debts, as far as I can see it didn't have any idea of his actual income or what his likely non-discretionary living costs were. Without this information I can't fairly conclude a proportionate check was conducted when Motonovo didn't appear to have even the most basic of understanding of Mr M's income and expenditure.

I accept that had Motonovo conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Motonovo conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to.

Mr M has provided copy bank statements, so I think it's reasonable to view these to see what his monthly income and Mr M received an income of at least £2,300 per month in the months leading up to the finance being approved. Motonovo would've discovered this had it carried out a proportionate check but as I've said just knowing about Mr M's monthly income wouldn't have been sufficient to say a proportionate check was carried out.

With regards to the monthly outgoings, Motonovo ought to have taken account of his regular living costs as well – these would be payments beyond his credit commitments, so any

payments he had for bills or other direct debits. I say this because Motonovo already had a reasonable idea as to what his existing credit commitments were.

To be clear, the bank statements are only being used in order to try and establish what Mr M's likely monthly outgoings were. This wasn't and isn't intended to be conduct a full financial review – as I don't think that would've been warranted before Mr M entered the agreement.

Even though I don't think Motonovo's checks went far enough that alone isn't sufficient to uphold the complaint. I would also have to be satisfied that had Motonovo conducted further checks it would've likely discovered the agreement was unaffordable or unsustainable for Mr M. Having looked at the bank statements provided - I've not been able to concluded that further checks wouldn't have altered Motonovo's decision to lend.

Mr M had payments that appear to be for rent, council tax, utilities, food and petrol. Overall these living costs came to around £1,300 per month. There were also no signs from the statements that Mr M was having financial difficulties – such as returned payments or that he was constantly using his overdraft. So even if Motonovo had reviewed his account before agreeing to provide the finance then it would've likely concluded that Mr M was in a position to afford the agreement.

I accept that the bank statements show that at times Mr M was using payday loans and this was included in his representatives income and expenditure. But that information wasn't reflected in the credit check results Motonovo obtained and what it was entitled to have relied upon. And as I've said above, there wasn't a requirement to have carried out a full income and expenditure assessment. As such, I don't think a further check into Mr M's regular living costs would've highlighted those payments.

I am therefore not upholding Mr M's complaint because although a proportionate check wasn't carried out by Motonovo before lending, I'm persuaded that such a check would've led it to conclude that the finance agreement was unaffordable for Mr M.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Motonovo lent irresponsibly to Mr M or otherwise treated him 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**

For the reasons I've outlined above, I am not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 January 2026.

Robert Walker  
**Ombudsman**