

## **The complaint**

Mr M complains MotoNovo Finance Limited (MotoNovo) failed to conduct proportionate checks to assess his creditworthiness, prior to lending to him.

Mr M is represented in this complaint by a claims management company but, for ease, I'll refer to Mr M directly throughout my decision.

## **What happened**

In January 2021, Mr M acquired a used car through a Hire Purchase Agreement (HPA) with MotoNovo. The cash price of the car was £11,898, with the full amount provided as credit through the agreement. The agreement required Mr M to make 59 monthly repayments of £303.71, followed by a final repayment of £304.71 on month 60.

In October 2024, Mr M complained to MotoNovo that they'd failed to undertake a reasonable assessment of his creditworthiness prior to approving him for the finance agreement.

MotoNovo didn't uphold Mr M's complaint saying for the avoidance of doubt, they'd undertaken a reasonable and proportionate creditworthiness assessment before lending to him.

Mr M remained unhappy, so he asked the Financial Ombudsman Service to look into his complaint. One of our Investigator's looked into things but didn't agree MotoNovo had completed proportionate checks prior to approving the HPA for Mr M, and she thought had they done, those checks would've more likely than not have shown the agreement wasn't affordable or sustainable for him.

MotoNovo sought clarity around regarding the expenditure seen on Mr M's bank account statements from the time, adding that without it, they couldn't build up a picture of whether the agreement had been affordable or not.

Our Investigator said Mr M had explained that his wife paid the majority of their essential expenditure through her account, with him transferring an amount to her each month to cover his share. She was satisfied the amount transferred could be seen to be regular and there were no signs of other such bills on Mr M's statements.

No further response was received from MotoNovo, but because they didn't accept our Investigators initial view, this 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.

Having done so, and I acknowledge it will come as a disappointment to MotoNovo, I'm upholding this complaint for broadly the same reasons as our Investigator. I'll explain why.

All lenders are required to ensure they don't lend irresponsibly. As Mr M has complained

about irresponsible and unaffordable lending, I've considered the relevant rules, guidance and industry best practice when reaching my decision.

To decide what's fair and reasonable in all the circumstances of this complaint, I've asked the following questions:

- 1) Did MotoNovo complete reasonable and proportionate checks to satisfy themselves Mr M would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
  - If they did, was their decision to lend to Mr M fair?
  - If they didn't, would reasonable and proportionate checks have shown that Mr M could sustainably repay the borrowing?
- 2) Did MotoNovo act unfairly or unreasonably in some other way?

#### Did MotoNovo complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £18,233, with Mr M committing to make monthly repayments of around £304 over a period of five years. This was, therefore, a lengthy credit term with not an insignificant monthly commitment for someone to enter into. So, my starting point is that I'd expect to see MotoNovo to have completed a thorough affordability check.

MotoNovo completed a credit file check from which they could see Mr M held six active credit cards with outstanding balances totalling £15,598, a utilisation of around 91% of his total available credit limits. They could also see he held two mail order account towards which he owed £516, one loan with a balance of £1,215 owed, a current account, a communications account and a utilities account.

Mr M could be seen to be up to date with his repayments towards all his accounts at the time, however he'd fallen into arrears by at least one month on one credit card and one mail order account within the 12 months prior. MotoNovo could also see between his two largest credit cards with credit limits totalling £10,100, Mr M was £61 (less than 1%) away from reaching the maximum combined limits.

So, while I don't think what MotoNovo saw from the results of Mr M's credit file check alone meant they ought not to have lent to him, I do think his high utilisation of revolving credit and the sight of him having missed payments in the 12 months prior meant they should have done more to understand his financial circumstances.

Mr M declared his annual income at the time to be £53,000. MotoNovo didn't take any steps to verify the figure, instead relying on the information they'd been provided. MotoNovo also didn't take any steps to understand Mr M's expenditure. I think they ought to have done both here. So, I can't say their checks were proportionate on this occasion.

But as I've explained above, that doesn't necessarily mean I can uphold Mr M's complaint – I now need to consider whether MotoNovo would've likely been able to fairly decide to lend to him if they had done proportionate checks.

### If MotoNovo had done proportionate checks, what would they have found?

Had MotoNovo independently verified Mr M's income, I'm satisfied they'd have found his net income from employment to have been on average around £1,782 a month. I've calculated this by taking an average from Mr M's bank account statements for the three months prior to his application.

I'm not saying MotoNovo specifically needed to obtain bank statements as part of their credit worthiness checks. They could have also verified Mr M's income via payslips for example.

Regarding Mr M expenditure, they could have obtained estimates using statistical data, or to have gained an understanding of his actual essential expenditure, they could've simply asked him.

But as MotoNovo also didn't calculate or estimate Mr M's expenditure, in the absence of other information now, I think bank statements provide me a good indication of his financial circumstances at the time. So, I've looked at these, alongside considering his testimony. I've also looked at the credit check results MotoNovo received to gain an understanding of what his likely repayments to his existing credit would've been in order for him to have been able to repay his debt over a reasonable period of time.

I think had MotoNovo looked at Mr M's likely repayments towards his existing credit, they would've found he'd likely needed to have been paying around £470 towards his credit cards and mail order accounts each month. I think they would have also found he was committed to paying around £58 towards a loan.

Mr M's bank statements don't show much in the way of essential spending, aside from around £118 on average towards petrol and a mobile phone account. But he's explained that at the time, his wife paid the rent, council tax and utility bills, as well as for other essentials such as food. To contribute towards these costs, Mr M would pay an amount of around £1,300 to his wife each month.

Having looked at Mr M's bank account statements, this payment can be seen to be being made consistently each month. I've also not seen any spend for these essential expenses elsewhere and there is no evidence on the credit check completed that Mr M held any other bank accounts elsewhere either. I'm satisfied Mr M's expenditure towards essential spending was on average around £1,300.

So, together with Mr M's commitments to existing credit, I'm satisfied his essential expenditure each month was around £1,828. A figure which already outweighed his actual income each month without him taking on any further commitments.

So, in summary, I think had MotoNovo verified Mr M's actual income, alongside if they'd have gained a good understanding of his expenditure, I think they more likely than not would've seen the HPA was neither affordable for him, nor was it responsible to lend to him.

I'm not satisfied MotoNovo's lending decision was fair so I'm upholding this complaint.

### Did MotoNovo act unfairly or unreasonably in some other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, I'm satisfied the redress I've directed below results in fair compensation for Mr M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

## **Putting things right**

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 M should therefore only have to pay the original cash price of the car, this being £11,898. Anything paid towards the agreement in excess of that amount should be refunded to Mr M as an overpayment.

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

- Refund any payments towards the agreement made in excess of £11,898 to Mr M, 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 M's credit file regarding the agreement.

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

## **My final decision**

My final decision is that I uphold Mr M's complaint and instruct MotoNovo Finance Limited to settle the complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 February 2026.

Sean Pyke-Milne  
**Ombudsman**