

The complaint

Ms S complains MotoNovo Finance Limited (MotoNovo) failed to take reasonable and proportionate steps to ensure they lent responsibly and that she could sustainably repay the loan.

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

What happened

In August 2019, Ms S acquired a used car through a Hire Purchase Agreement (HPA) with MotoNovo. The cash price of the car was £7,159. Ms S paid a deposit of £1,500, and part-exchanged a vehicle for £75 with the remaining amount of £5,584 provided as credit through the agreement. The agreement required Ms S to make one repayment of £281.57, followed by 58 monthly repayments of £132.57 and then a final repayment of £281.57 on month 60.

In September 2024, Ms S complained to MotoNovo that they'd failed to take reasonable and proportionate steps to ensure they lent responsibly and that she could sustainably repay the loan. She said she didn't think it was reasonable for MotoNovo to have relied on estimated expenditure and instead they should have done more to ascertain her actual income, regular living expenses and existing credit commitments.

MotoNovo didn't think they'd done anything wrong saying they'd undertaken a reasonable and proportionate creditworthiness assessment before agreeing to lend to Ms S, so they didn't uphold her complaint.

Ms S remained unhappy, so she asked the Financial Ombudsman Service to look into her complaint.

One of our Investigator's looked into things and said she didn't agree MotoNovo had completed proportionate checks. She thought they ought to have got a more thorough understanding of Ms S' financial circumstances before making their decision to lend to her.

Our Investigator went on to say she thought had MotoNovo completed proportionate checks, they would've found Ms S' average expenditure outweighed her average income, and that the agreement was unaffordable. As such, our Investigator didn't think MotoNovo had acted fairly by approving the finance for her.

MotoNovo said Ms S only appeared to have had issues making repayments to the agreement when major life events had occurred and those events weren't something they could have foreseen.

Our Investigator said she appreciated Ms S had provided reasons for her payment difficulties throughout the time she held the agreement, but that it didn't change her opinion that the repayments appeared unaffordable for her from the start.

MotoNovo remained unhappy. Because no agreement could be reached, 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.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Ms S' complaint. MotoNovo needed to ensure they didn't lend irresponsibly which in practice, means they needed to carry out proportionate checks to be able to understand whether any lending was affordable and sustainable for her before agreeing to provide the finance.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like MotoNovo to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- 1) Did MotoNovo complete reasonable and proportionate checks to satisfy themselves Ms S would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
 - If they did, was their decision to lend to Ms S fair?
 - If they didn't, would reasonable and proportionate checks have shown that Ms S 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 £9,827, with Ms S committing to make a monthly repayment of around £281 either side of 58 monthly repayments of around £132. This was, therefore, while a fairly modest monthly repayment for the most part, still a lengthy credit 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 Ms S held five active credit cards with outstanding balances totalling £5,560. At the time of Ms S' application, MotoNovo could see she was in excess of her credit limit on three of her credit cards with missed or late payments showing on two of them. Between the remaining two credit cards, Ms S was £11 from reaching the maximum combined limits.

In addition, MotoNovo could see Ms S held two other credit accounts, on both of which there were missed or late payments visible over the 12 months prior.

In any case, for an agreement of this length for Ms S to commit to, I would've expected MotoNovo to have gained at least some understanding of both her income and expenditure, however in this case, they relied only on minimal data provided within the application and the data the credit check provided them.

More so, I think considering the credit report data they saw, it's reasonable to say MotoNovo could see Ms S wasn't managing her finances particularly well. This should've been even more of an indication they ought to have gained a better understanding of her circumstances at the time. MotoNovo didn't do this, so, I can't say their checks were proportionate.

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

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

Had MotoNovo independently verified Ms S' income, I'm satisfied they'd have found her net income from employment to have been on average around £1,204 a month. In addition, I think they would have found Ms S to have been receiving around £470 in child benefit and universal credit payments each month. So, in total, around £1,674 each month. I've calculated this by taking an average from Ms S' bank account statements for the three months prior to her application.

As MotoNovo didn't calculate or estimate Ms S' expenditure, I've looked at her same bank account statements, for the three months prior to the HPA being taken out.

I'm not saying MotoNovo specifically needed to obtain bank statements as part of their credit worthiness checks. But in the absence of other information, I think bank statements provide me a good indication of Ms S' financial circumstances at the time the lending decision was made.

I'm satisfied Ms S' bank account statements show her average monthly expenditure towards essential spending far outweighed her income each month. Ms S could be seen to be making payments to her creditors alone of on average £1,475.

Her statements showed returned direct debits to both her creditors and an insurance company, some of which was visible to MotoNovo on the credit report data they obtained.

The pattern of Ms S' expenditure also showed signs of financial difficulties with her making payments towards 'Mortgage Etc' on one month and a water bill payment on another but these payments were absent for her statements across the other months I've reviewed.

Finally, Ms S' statements showed she relied heavily on short term payday loans, with 17 loans crediting her account totalling around £3,550 across the three-month period. Often these looked to have been taken just to repay previous borrowing.

In summary, I'm not satisfied MotoNovo did proportionate checks – I think they should have taken steps to understand Ms S' income and expenditure. And I'm also satisfied if they had done, they would've seen Ms S was struggling financially and that affording her further credit was neither affordable for her, nor was it responsible.

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 Ms S 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.

Ms S should therefore only have to pay the original cash price of the car, being £7,159. Anything paid towards the agreement in excess of that amount should be refunded to Ms S as an overpayment.

To settle Ms S' complaint MotoNovo should do the following:

- Refund any payments towards the agreement made in excess of £7,159 to Ms S, 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 Ms S' credit file regarding the agreement.

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

My final decision

My final decision is that I uphold Ms 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 Ms S to accept or reject my decision before 28 October 2025.

Sean Pyke-Milne
Ombudsman