

The complaint

MotoNovo Finance Limited ('MotoNovo') provided Mr D with a hire purchase agreement in October 2019. The car price was £5,999, Mr D paid a £3,000 deposit and borrowed £2,999. He was due to repay 36 monthly repayments of £109. Mr D says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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.

Having considered everything, I'm upholding Mr D's complaint. I'll explain my reasoning below:

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr D's case. I've decided the credit wasn't provided fairly because:

- I don't think the checks MotoNovo did before providing the credit were reasonable and proportionate given the amount of credit it offered and what it knew about Mr D's financial situation.
- This is because MotoNovo knew that Mr D had recently taken, and repaid, some short-term high-cost ('payday') loans. And that he would be paying a high proportion of his income towards credit going forward. So, I think MotoNovo should have investigated his expenditure, and particularly his indebtedness, in more detail to make sure he could afford the new finance.
- If MotoNovo had done proportionate checks, I think it's likely these would have shown it was unfair to provide the credit to Mr D.
- This is because Mr D has provided information that shows he was borrowing and repaying significant amounts to payday, and similar, lenders at the time he applied for the MotoNovo finance. The recent repayments to this type of credit seem to be higher than his monthly income. He was also making repayments to a debt management organisation. And some of his recent direct debits had been returned as unpaid. It looks likely that Mr D would be relying on credit to make ends meet going forward. The evidence I've seen shows that he was likely to be in financial difficulty.
- MotoNovo has said that Mr D did repay the lending without problem, and he also repaid it early. But I don't think this detracts from what MotoNovo should have done

at the point of sale. And this doesn't mean he wasn't in financial difficulty. At the time of the finance, he was borrowing to repay other lending and not paying all his bills. So it could be that repaying the hire purchase formed part of this process.

- Based on the information Mr D has provided about his circumstances at the time, I think MotoNovo should have realised Mr D was likely to be unable to sustainably repay what he was being lent.

This means I don't think MotoNovo should have provided the hire purchase agreement to Mr D.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr D in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

MotoNovo should now do the following:

- Refund any payments Mr D has made in excess of £5,999, 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 D's credit file regarding the agreement, if applicable.

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

My final decision

My final decision is that I'm upholding this complaint and MotoNovo Finance Limited must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 6 January 2026.

Andy Burlinson
Ombudsman