

Complaint

Mr S complains that FirstRand Bank Limited (trading as “MotoNovo” Finance) unfairly entered into a hire-purchase agreement with him. He’s said the payments to this agreement were unaffordable and so he shouldn’t have been accepted for it.

Mr S is being represented (by “the representative”) in his complaint.

Background

In March 2019, MotoNovo provided Mr S with finance for a used car. The cash price of the vehicle was £18,750.00. Mr S paid a deposit of £500 and applied for finance to cover the remaining £18,250.00 he needed to complete the purchase. MotoNovo agreed to provide this finance through a hire-purchase agreement.

The hire-purchase agreement had total interest, fees and charges of £5,536.20 (made up of £5,158.00 in interest, an Admin Fee Part A, an Admin Fee Part B of £169 and an option to purchase fee of £1). The balance to be repaid of £23,786.00 (which does not include Mr S’ deposit) was due to be repaid in 59 monthly instalments of £393.45 followed by a final payment of £572.45.

Mr S’ complaint was subsequently considered by one of our investigators. She thought that proportionate checks would have shown MotoNovo that it shouldn’t have entered into this finance agreement with Mr S. So she thought that Mr S’ complaint should be upheld.

MotoNovo disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My provisional decision of 4 August 2025

I issued a provisional decision – on 4 August 2025 - setting out why I wasn’t intending to uphold Mr S’ complaint.

In summary, I was satisfied that that proportionate checks wouldn’t have prevented MotoNovo from lending to Mr S. In these circumstances, I was of the view that it wasn’t unfair for MotoNovo to have lent to Mr S.

MotoNovo’s response to my provisional decision

MotoNovo didn’t respond to my complaint or provide anything further.

The representative’s response to my provisional decision

The representative wanted a copy of any income and expenditure calculation I used. When told that there was no income and expenditure calculation and that Mr S’ living costs were determined from the bank statements it provided. The representative provided no further arguments for me to consider ahead of the date for responding to my provisional decision.

My findings

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 S' complaint.

Having carefully considered everything, including what has happened since my provisional decision, I'm still not upholding Mr S' complaint. I'll explain why in a little more detail.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr S' complaint.

MotoNovo says it agreed to this application after it completed an income and expenditure assessment on Mr S. During this assessment, Mr S provided details of his monthly income. MotoNovo says it also carried out credit searches on Mr S which showed up some existing credit but that this was being well maintained. Furthermore, MotoNovo says that Mr S would have had enough left over to meet his regular living costs once his payments to his creditors were deducted from his income. This is particularly as Mr S was living at home with parents.

On the other hand, Mr S says that he couldn't have afforded the payments to this agreement and shouldn't have been provided with it.

I've thought about what Mr S and MotoNovo have said.

The first thing for me to say is that having considered the information provided by both sides, while Mr S did have some existing credit commitments, he doesn't appear to have had any

significant adverse information – such as defaults or county court judgments (“CCJ”) recorded against him.

Be that as it may, I still think that in order for its checks to have been proportionate, MotoNovo would have needed to obtain an understanding of Mr S’ actual living costs and his income (as well as what it appears to have known about his credit commitments), given the amount lent, the total cost of the agreement and the monthly payments. What I’ve seen doesn’t suggest that MotoNovo did obtain this before lending. So I’m not prepared to accept that the checks carried out were reasonable and proportionate.

As I’m not persuaded that MotoNovo did carry out sufficient checks, I’ve decided what I think MotoNovo is more likely than not to have seen had it obtained further information from Mr S, based on the information that he’s now been provided. As I’ve explained, I would have expected MotoNovo to have had a reasonable understanding about Mr S’ regular living expenses as well as his income and existing credit commitments before lending.

That said, what has been provided leads me to think that even if MotoNovo’s checks had extended into finding out more about Mr S’ living expenses, I don’t think this would have made a difference to its decision.

To begin with, I’ve noted that in its response to my provisional decision, the representative requested a copy of the income and expenditure calculation used to determine that the payments were affordable. However, the issue here is that MotoNovo wasn’t required to carry out an income and expenditure calculation with the use of bank statements, in the way that the representative appears to believe that I should now do. All it was required to do was find out more about Mr S’ committed living expenses and then add what it found out about this to what it already knew about his credit commitments.

This is important because the information Mr S has provided appears to show his committed regular living expenses were low because he was living at home with parents in the way that he told MotoNovo at the time of his application. And when what he was actually contractually obliged to pay is added to the credit commitments MotoNovo knew about, as a result of its credit search, and then deducted from his income, Mr S had sufficient funds left over to make the repayments due on this agreement.

I also have to keep in mind that Mr S’ most recent submissions are being made in support of a claim for compensation and any explanations Mr S would have provided at the time are more likely to have been with a view to persuading MotoNovo to lend to him, rather than highlighting any unaffordability. So I think it unlikely that Mr S would have volunteered that he had the level of expenditure he’s now saying he had, particularly as MotoNovo wasn’t required to request bank statements from him in the first place.

For the sake of completeness and while I accept that this isn’t in itself determinative, nonetheless, I do think that it is worth noting that Mr S made all of his payments as when they fell due up until the beginning of the pandemic. In my view, Mr S’ repayment record supports the conclusion that Mr S had difficulty making his payments once the pandemic started.

This is also supported by the fact that MotoNovo’s notes show that Mr S confirmed that he started experiencing difficulty after he was made unemployed because of the pandemic and was struggling to pay all of his bills from his universal credit payments. These notes also show that by this stage Mr S no longer lived with parents and presumably had increased living costs too.

I do sympathise with the effect that the pandemic had on Mr S' circumstances and the payment difficulties Mr S had as a result. That said, the pandemic was an unprecedented event. I don't think that MotoNovo could have anticipated the onset of it, or the effect that it would have on Mr S' finances. So I don't think the fact that Mr S went on to have difficulty making his payments once the pandemic started means it was unfair for MotoNovo to have approved the finance in the first place.

In reaching my conclusions, I've also considered whether the lending relationship between MotoNovo and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think MotoNovo irresponsibly lent to Mr S or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I remain satisfied that MotoNovo didn't do anything wrong when deciding to lend to Mr S - it seems to me that reasonable and proportionate checks will have shown the monthly payments to have been affordable. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr S. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

For the reasons explained above and in my provisional decision of 4 August 2025, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 September 2025.

Jeshen Narayanan
Ombudsman