

Complaint

Mr G complains that MotoNovo Finance Limited (“MotoNovo”) unfairly entered into hire-purchase agreements with him. He’s said the payments to his agreements were unaffordable and in his view he shouldn’t have been accepted for them.

Background

MotoNovo entered into three separate motor finance agreements with Mr G between September 2019 and June 2022. The details of those agreements are as follows:

Agreement 1

In September 2019, MotoNovo provided Mr G with finance for a used van. The cash price of the vehicle was £5,991.00. Mr G paid a cash deposit of £250 and applied for finance for the remaining £5,741.00 he required. MotoNovo accepted Mr G’s application and provided finance on a hybrid basis, which consisted of a fixed sum loan of £1,033.66¹ and a hire-purchase for the amount of £4,707.94.

The combined loan had a 48-month term, as well as total interest, fees and charges of £1,313.12 (comprising of interest of £1,076.06 and an option to purchase fee of £1 for the hire-purchase and an Admin Fee Part B of £236.06 on the fixed-sum loan). This meant that the balance to be repaid of £6,818.06 (which does not include Mr G’s cash deposit) was due to be repaid in 47 monthly instalments of £146.94 and one final payment of £147.94.

Mr G settled this agreement early, as part of the transaction for agreement 2, in October 2020.

Agreement 2

In October 2020, MotoNovo provided Mr G with finance for a used van on a second occasion. Agreement 1 was settled as part of this transaction. The cash price of the van Mr G was acquiring at this time was £12,088.20. There was a shortfall between the amount he received in part exchange of his previous van and the balance that remained to be paid on the finance.

This meant that only £103.46 of the £2,341.00 cash deposit listed on this hire-purchase agreement was used as a deposit for this second purchase and Mr G required £11,984.74 in order to complete this transaction. MotoNovo accepted Mr G’s application and entered into a 49-month hire-purchase agreement with him. This time the whole amount was lent on hire-purchase terms.

¹ This is referred to as a loan deposit on Mr G’s agreement. But it is clear that this was a fixed sum loan separate from the main hire-purchase agreement. I suspect that the agreement was structured this way because MotoNovo wasn’t prepared to advance the full £5,741.00 on hire-purchase terms and provided the maximum it was prepared to on this basis and the remainder that Mr G required on a fixed-sum loan basis. In any event, the agreement clearly sets out that two separate loans are being taken and as well as providing details of the combined monthly payments, separates out the component elements.

The loan had interest, fees and total charges of £3,136.26 (comprising of interest of £3,135.26 and an option to purchase fee of £1) and the balance to be repaid of £15,146.20 (which does not include Mr G's deposit) was due to be repaid in 47 monthly instalments of £315 and one final payment of £316.

Mr G settled this agreement in full in October 2021.

Agreement 3

In June 2022, MotoNovo provided Mr G with finance for a used car. The cash price of the vehicle was £12,138.00. Mr G paid a deposit of £1,971.91 and applied for finance to cover the remaining amount he required. Once again, MotoNovo accepted Mr G's application and this time it entered into a 60-month hire-purchase agreement for an amount of £10,166.09 with him.

The loan had interest, fees and total charges of £2,638.31 (comprising of interest of £2,637.31 and an option to purchase fee of £1) and the balance to be repaid of £14,776.31 (which does not include Mr G's deposit) was due to be repaid in 59 monthly instalments of £213.39 and one final payment of £214.39.

Mr G settled this agreement in full in April 2023.

In February 2024, Mr G complained that all three agreements were unaffordable for him and so should never have been provided to him. MotoNovo didn't uphold Mr G's complaint. As Mr G remained dissatisfied he referred his complaint to our service.

Mr G's complaint was considered by one of our investigators. He didn't think that MotoNovo had done anything wrong or treated Mr G unfairly. So he didn't recommend that Mr G's complaint should be upheld. Mr G disagreed with our investigator and the complaint was passed to an ombudsman for a final 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 G's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Mr G's complaint. I'd like to explain why in a little more detail.

MotoNovo needed to make sure that it didn't lend irresponsibly. In practice, what this means is that MotoNovo needed to carry out proportionate checks to be able to understand whether Mr G could make his payments in a sustainable manner before agreeing to lend to him. And if the checks MotoNovo carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 it agreed to these applications after it completed income and expenditure assessments on Mr G on each occasion. During these assessments, Mr G provided details of his employer and the length of time he'd been employed. MotoNovo says it also carried out credit searches on Mr G which showed up some existing credit but that each time this was being well maintained.

Furthermore, MotoNovo says that Mr G would have had enough left over to meet his regular living costs once his payments to his creditors were deducted from what it believed to be his income. On the other hand, Mr G says that he couldn't have afforded the monthly payments and therefore MotoNovo shouldn't have entered into these agreements with him.

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

The first thing for me to say is that MotoNovo has provided the output of the credit checks it carried out at the time of Mr G's applications. These outputs show that there was no significant adverse information such as defaulted accounts or County Court Judgments ("CCJ") recorded against him at the time of all his applications. Furthermore, MotoNovo searches also appear to show that Mr G's unsecured debt total at the time of the respective applications was low and being well maintained.

Nonetheless, while MotoNovo has suggested that Mr G declared an annual income of £35,000.00 at the time of the first application, I've not seen anything to support the fact that this is what was recorded at this time, or indeed that MotoNovo took steps to validate that this was the case. As this is the case, I've not been persuaded that MotoNovo did know enough about Mr G's actual income at the time of either of his applications.

I think that this is important because while the credit searches may not have highlighted any reason to suspect that Mr G may have been in difficulty, it's unclear to me how MotoNovo could reasonably have understood that any additional finance was affordable for Mr G without knowing how much he earned each month. And, in these circumstances, I don't think that the checks MotoNovo carried out were reasonable and proportionate.

That said, I do think that even if MotoNovo's checks had gone further and extended into finding out more about Mr G's income as well as his actual living expenses, I don't think this would have made a difference to its decisions to lend. I say this because the information Mr G has provided us with appears to show that when his committed regular living expenses are added to his credit commitments and then deducted from his income, Mr G could sustainably make the repayments due under all three of these agreements.

I accept the possibility that Mr G's actual circumstances at the time may have been worse than what the information I think that MotoNovo ought to have obtained shows. However, I have to consider Mr G's submissions now in the context that they are now being made in support of a claim for compensation. Whereas at the respective times of sale, at least, Mr G clearly wanted the vehicles he had chosen and it's fair to say that any explanations he would have provided would have been with a view to persuading MotoNovo to lend rather than highlighting the agreement was unaffordable.

Furthermore, it's only fair and reasonable for me to uphold a complaint in circumstances where proportionate checks will have shown a lender that the payments were unaffordable. It is not sufficient for me to uphold a complaint simply because more should have done. I

have to be satisfied that doing more would have resulted in the lender taking a different course of action – in this case, declining Mr G's application for finance.

Given the circumstances here, while I don't think that MotoNovo's checks before entering into these hire purchase agreements with Mr G didn't go far enough, I'm not persuaded that MotoNovo carrying out further checks in this instance would have resulted in it reaching different decisions on lending to Mr G, on either of the three occasions it did.

For the sake of completeness, I would also add that while this isn't in itself determinative, it's also worth noting that Mr G not only made all of his payments as and when they fell due for the period he had these agreements, he also settled agreements 2 and 3 in full less than a year after they'd been taken.

I've focused on those two agreements as while agreement 1 was also settled early this was settled with further finance from MotoNovo. However, when Mr G settled agreements 2 and 3 he did so without taking any further borrowing from MotoNovo. In my view, Mr G's repayment record and actions tends to support the fact that this agreement was affordable for him.

In reaching my conclusions, I've also considered whether the lending relationship between MotoNovo and Mr G might have been unfair to Mr G 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 G on either occasion or otherwise treated him unfairly in relation to these matters. 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.

I'm therefore satisfied that MotoNovo didn't act unfairly towards Mr G when it agreed to lend to him and I'm not upholding Mr G's complaint. I appreciate that this will be very disappointing for Mr G. But I hope he'll understand the reasons my decision and that he'll at least feel his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 October 2025.

Jeshen Narayanan
Ombudsman