

The complaint

With the help of a professional representative (PR), Mr S complains that MotoNovo Finance Limited lent to him irresponsibly. For ease, I'll mainly refer to the actions of the PR as being those of Mr S.

What happened

Mr S applied for and was given a Hire Purchase agreement (HP) to enable him to acquire a used car. The HP was agreed on the following terms:

Date	Amount of credit	Term	Monthly repayment	Total payable
13 March 2022	£17,211.10	60 months	£427.60	£23,536.30

On 27 October 2023, Mr S complained to MotoNovo. He said it had failed to carry out a reasonable creditworthiness assessment before lending to him. If it had, it would have seen he had debt elsewhere, missed payments and had a defaulted agreement. He feels it was irresponsible for MotoNovo to have lent to him. To resolve his complaint, Mr S asked MotoNovo to refund the charges and interest he's paid, along with statutory interest of 8%. He said it should also remove any adverse information relating to the HP from his credit file.

MotoNovo acknowledged Mr S's complaint but hadn't been able to investigate it within the eight weeks allowed under the complaint handling rules set by the Financial Conduct Authority (FCA). So it told Mr S he was free to refer his complaint to our service, and he did so.

One of our investigators looked into Mr S's complaint. She said she felt the checks MotoNovo carried out on his application didn't go far enough. She looked at Mr S's bank statements for a few months prior to the application, in order to try to see what MotoNovo would have found had it done more. Having done so, our investigator felt Mr S had sufficient disposable income to have been able to afford the repayments at the time, and therefore she said MotoNovo had reached a fair decision to lend.

Mr S didn't agree with our investigator. His PR argued that Mr S said they "*don't believe*" our investigator had worked out Mr S's income and expenditure correctly. But while they had access to the same bank statements, they didn't put forward their own calculations to support their view. As there was no agreement, the complaint has been passed to me for a 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

MotoNovo needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr S irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did MotoNovo carry out reasonable and proportionate checks to satisfy itself that Mr S was in a position to sustainably meet the repayments?
- If not, what would reasonable and proportionate checks have shown at the time?
- Did MotoNovo make a fair lending decision?
- Did MotoNovo act unfairly or unreasonably towards Mr S in some other way?

MotoNovo had to carry out reasonable and proportionate checks to satisfy itself that Mr S would be able to repay the HP sustainably. It's not about it assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the HP, the amount of the repayments and the overall circumstances of the borrower.

When Mr S applied for the HP, he told MotoNovo he had been self-employed since 2018, earned £45,000 a year and lived with his parents. Mr S's credit file showed he had two defaulted accounts showing in his name. One was a credit card which defaulted in 2016 and was settled in full soon afterwards, and the other was a communications supplier account for £135 which had defaulted in November 2019 – over two years before this application.

The file showed he had some existing credit. He had a HP agreement on which all repayments - £298 per month - had been made on time, and a couple of credit cards with combined limits of £450. There had been the odd missed payments to the credit card and occasions when he had slightly exceeded the limit. Some of these instances had happened within just a few months of this application.

Given Mr S's declared income and living status, I would have expected MotoNovo to want to know more about why he had recently missed payments to his credit cards and had a default for £135 outstanding. I think it ought to have done more to ensure Mr S could afford the repayments to this new HP. It follows that I don't think the checks it had carried out were reasonable and proportionate.

There is no set way for a business to assess a customer's financial circumstances, but one way of doing so might be to look at their bank statements as these will generally give a good picture. Mr S has provided us with copies of his statements for three months prior to this application.

Our investigator went into quite a lot of detail about the account activity in her response to the complaint. All parties to the complaint have a copy of that, so I will not go into the same level of detail. That is not to be discourteous, but I'm conscious that my decision will be published and including so much detail may enable Mr S to be identifiable.

I have however looked closely at the statements and agree with what our investigator has said. The statements show Mr S's income varied which isn't a surprise given he was self-employed. On average in the three months leading up to the application, Mr S had a disposable income of almost £800 from which to fund this HP. Given his existing HP of £298 was being replaced by this new payment of £427 (so he had to find an extra £130 or so per month from his disposable income of £800), I don't think MotoNovo would have had any concerns about his ability to repay the new agreement.

So I think if MotoNovo had done more to verify Mr S's income and expenditure it would still have been satisfied the HP was affordable for him. I think it reached a fair decision to lend to Mr S.

Did MotoNovo act unfairly or unreasonably towards Mr S in some other way?

I've carefully considered all the information provided by each party to the complaint. I can see that Mr S made the first few payments to the agreement on time before he contacted MotoNovo in October 2022. He was concerned his direct debit may not go through as he had changed jobs, so his payday had changed. In the end however that payment appears to have gone through ok.

Mr S appears to have contacted MotoNovo a few times to move the payment dates but ultimately all payments were made in full until October 2023 when Mr S lost his job. Since then Mr S was speaking to MotoNovo about how he could get out of the agreement, but he also continued to make the payments. He ultimately voluntarily terminated the agreement in July 2024.

There is evidence on the notes that Mr S was unhappy with some of the advice he was given regarding termination of the agreement. A complaint was raised for him in June 2024 which MotoNovo has dealt with separately as I'd expect. I've seen nothing to suggest that MotoNovo treated Mr S unfairly in some other way.

For the reasons I've already given, I don't think MotoNovo lent irresponsibly to Mr S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 December 2025.

Richard Hale
Ombudsman