

The complaint

Miss M says MotoNovo Finance Limited ('MotoNovo') irresponsibly lent to her. She says it didn't take reasonable steps to ensure she could afford the repayments towards a hire purchase agreement to purchase a car. She says that the repayments were both unaffordable and unsustainable. She thinks MotoNovo should have seen this and not lent to her.

Miss M's complaint has been brought by a representative and I've referred to Miss M and the representatives' comments as being from Miss M for ease of reading.

What happened

Miss M has also complained about the commission that was paid as part of the lending. I'm not considering this as part of her complaint here; this will be considered separately if appropriate.

This complaint is about a hire purchase agreement that Miss M took out to purchase a used car in May 2019. The vehicle had a retail price of £6,800. Miss M paid a £300 deposit and there was a part exchange contribution of £1,500 meaning £5,300 was financed. This agreement was to be repaid through 59 monthly instalments of £119.60 followed by a final repayment of £278.60. If Miss M made the repayments in line with the credit agreement, she would need to repay a total of £8,835.

The finance was settled in June 2020, MotoNovo says Miss M didn't have any problems repaying the credit.

Miss M complained to MotoNovo saying that the car finance was irresponsibly lent. MotoNovo considered this complaint, and it didn't uphold it. It said that it undertook a reasonable and proportionate creditworthiness assessment before entering into the agreement in accordance with the provisions in force at the time. Miss M didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator upheld Miss M's complaint. She thought the finance shouldn't have been approved as MotoNovo couldn't demonstrate that it had made proportionate checks. And better checks wouldn't have shown it that the finance wasn't affordable.

MotoNovo didn't agree with the Investigator. It said it conducted full affordability checks at the time, and these showed the lending was affordable. Ms M said her income was £22,000 a year which indicated she was employed full time. There was some further correspondence, but no new issues were raised. Because MotoNovo didn't agree, this matter has been passed to me to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did MotoNovo complete reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit in a sustainable way?
 - a. if so, did MotoNovo make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Miss M could sustainably repay the borrowing?
2. Did MotoNovo act unfairly or unreasonably in some other way?

And, if I determine that MotoNovo didn't act fairly and reasonably when considering Miss M's application, I'll also consider what I think is a fair way to put things right.

Did MotoNovo complete reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

MotoNovo has explained that, as part of the application process, Miss M told it that she earned £22,000 a year before tax. She said that she was single and living in rented accommodation.

It looked at Miss M's credit file and found out that she had a current account with no overdraft. A small personal loan with a balance of £318 and an account with a communications supplier.

It also found out that she had defaulted on five credit accounts 20 months earlier and she had missed a repayment to a communications account two months before this new lending. I understand she was still making repayments to some of the defaulted accounts.

MotoNovo has explained that it didn't verify any of the information Miss M provided. And other than finding out some information about her existing credit, MotoNovo doesn't seem to have asked, or found out about, Miss M's other expenditures at all.

But this was a long-term lending agreement and Miss M would be repaying a reasonable amount each month for five years. And she'd had some problems in the past and more recently. I'm not persuaded that she had a 'recovering' credit profile.

So, I'm not persuaded that the checks MotoNovo did were reasonable and proportionate. I think MotoNovo could have checked in more detail that this further lending wasn't likely to cause her a problem going forward.

Would reasonable and proportionate checks have shown that Miss M would be able to repay the credit in a sustainable way?

I've gone on to consider what MotoNovo would likely have found had reasonable and proportionate checks been carried out.

Miss M has provided an up-to-date copy of her credit report. As this also shows historic data, I'm satisfied this will give a good indication of what MotoNovo would've seen on the credit file it obtained when it considered her finance application. This report shows that the information about her existing credit that MotoNovo had was broadly correct.

Miss M has also provided copies of her bank statements for the period between February to April 2019. While I wouldn't have expected MotoNovo to have asked Miss M for copies of these, I'm satisfied that these statements would give a good indication of what it would likely have taken into consideration had it asked Miss M to verify, or provide more information about, her income and committed expenditure during that specific period.

Our Investigator calculated Miss M's income and expenditures, I'm not going to reproduce all of the detail about this, as no party to the complaint has said they were incorrect. Having looked at them, I also agree they reflect Miss M's income and expenditure at the time.

Briefly, the bank statements show that Miss M earned around £850 a month. She was paid weekly between £200 and £250 usually, although sometimes less than this. And her fixed expenditures were around £700 a month.

Because of this, I don't think there is enough left over for her to be reliably able to pay for things like her living expenses and the new credit. And the fact that she was struggling to make some of her existing repayments does support that she was at her expenditure limit, even before the new credit. She doesn't seem to have an overdraft, but she regularly spends all her income.

While Miss M did receive funds from other parties. She has said that this money wasn't hers, but as MotoNovo noted she does often make purchases of very similar amounts shortly after receipt of this. I don't think these receipts should be treated as income, they clearly aren't this. But they do indicate to me that Miss M was receiving some kind of financial assistance from friends and family at this time. Which I think reinforces that the lending wasn't affordable for her.

MotoNovo has noted that the agreement was repaid without a problem and then Miss M went on to take a second agreement in 2020 for a larger amount. Her income was recorded as being significantly higher at the time of the second agreement. I agree it seems reasonable to say her circumstances may have improved. But I don't think this reinforces that the agreement I'm looking at here was not affordable. It more likely means that her circumstances changed later.

I think these factors make it unlikely that Miss M would be able to sustainably repay the new finance. And MotoNovo would have seen this if it had made proportionate checks and so it now needs to put things right.

Did MotoNovo act unfairly or unreasonably in some other way?

I've considered whether the relationship between Miss M and MotoNovo might have been unfair under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for MotoNovo results in fair compensation for her in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Miss M made use of the credit facility MotoNovo provided, and she purchased a car with this. So, it's fair that she pays the car price. However, MotoNovo shouldn't have approved

her finance application. So, I don't think it's fair that she should pay any interest and charges. So, MotoNovo should refund these, with interest.

To settle Miss M's complaint MotoNovo should do the following:

- Refund any payments Miss M has made above £6,800 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 Miss M's credit file regarding the agreement.

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

My final decision

For the reasons I've explained, I uphold Miss M's complaint.

MotoNovo Finance Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 22 December 2025.

Andy Burlinson
Ombudsman