

The complaint

Mr M complains that a hire purchase agreement with FirstRand Bank Limited, trading as Motonovo Finance, under which a car was supplied to him, was unaffordable for him. Mr M is being represented by a claims management company.

What happened

A used car was supplied to Mr M under a hire purchase agreement with Motonovo Finance that he signed in June 2017. The price of the car was £16,999 and Mr M agreed to make 59 monthly payments of £401.05 and a final payment of £600.05 to Motonovo Finance. Mr M says that he sold the car in November 2022 and settled the hire purchase agreement. He complained to Motonovo Finance about the agreement and his representative complained to it about irresponsible and unaffordable lending in October 2024. Motonovo Finance didn't respond to that complaint so the complaint was referred to this service.

Motonovo Finance then issued its final response to the complaint, but didn't uphold it. It said that, based on its records, the information available to it at the time of Mr M's application, and the details obtained from the credit reference agencies, it believed that the decision to approve the finance agreement was reasonable and appropriate.

Motonovo Finance has consented to this service considering Mr M's complaint, so the complaint was then looked at by one of this service's investigators who, having considered everything, didn't think that Motonovo Finance had acted fairly. He thought that a more thorough review of Mr M financial situation should've been completed and he didn't think that a fair lending decision was reached. He recommended that Motonovo Finance should refund all interest and charges, with interest, and arrange to remove any negative information from Mr M's credit file.

Mr M's representative says that the investigator's recommendation is accepted but Motonovo Finance hasn't accepted that recommendation, so I've been asked to issue a decision on this complaint. Motonovo Finance says, in summary and amongst other things, that:

- Mr M made over 19 consecutive payments on time from the start of the agreement, which strongly suggests that the lending was affordable at the time it was approved and the issues with affordability appear to have arisen later;
- a review of Mr M's bank statements shows regular discretionary spending on non-essential items, so he had some financial flexibility;
- the financial difficulties that Mr M experienced began in 2019, nearly two years after the agreement, and were compounded by the government imposed restrictions in response to the pandemic;
- while the credit check showed high utilisation, Mr M was maintaining repayments across his credit commitments and the decision to lend was based on available credit data and repayment history; and
- Mr M informed it that he was married at the time of application and, while it didn't assess his partner's income, it's reasonable to assume that some household expenses were shared.

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.

Motonovo Finance says that it undertook a reasonable and proportionate affordability assessment, in line with the relevant requirements at the time, when Mr M applied to it for finance. It completed a credit check but hasn't provided any evidence of any other checks that were made. The credit check showed that the outstanding amount of Mr M's credit was more than the credit that should have been available to him.

Motonovo Finance was required to make reasonable and proportionate checks to ensure that any credit to be provided to Mr M was sustainably affordable for him before supplying the car to him. Mr M was agreeing to make payments of £401.05 each month for five years and Motonovo Finance hasn't provided any evidence to show that it obtained any information about Mr M's income. I consider that reasonable and proportionate checks in these circumstances would have required Motonovo Finance to have obtained information about Mr M's income and, because of the information shown on his credit file, to have obtained a more detailed understanding of Mr M's financial situation. I'm not persuaded that the checks that were made by Motonovo Finance were reasonable and proportionate in the circumstances of the credit that was being provided to Mr M, so I've considered what it was likely to have discovered if it had obtained a more detailed understanding of his financial situation.

Mr M's representative has provided copies of some of Mr M's bank statements and the investigator reviewed the statements for the period from March to May 2017, the three months before Mr M entered in to the hire purchase agreement. I don't consider that Motonovo Finance was required to have asked for, or to have reviewed, Mr M's bank statements as it could have obtained information about his financial situation in other ways, but they are a good source of information about his income and expenditure. The investigator calculated that Mr M's average monthly income over that period was £1,850.16 and that his average monthly expenditure on his mortgage, credit commitments, insurance, fuel, supermarket shopping and household costs was £1,748.73. He said that Mr M's disposable income was £101.43 each month so he couldn't afford the monthly payment of £401.05 under the hire purchase agreement.

Motonovo Finance says that there was regular discretionary spending on non-essential items and it's reasonable to assume that some household expenses were shared. The affordability assessment that was conducted by the investigator showed that Mr M's disposable income was £101.43 and I've not seen any evidence to show that his partner was earning an income or was contributing to household expenses. In the absence of any information to show otherwise, I consider that it's reasonable to conclude that Mr M's disposable income was about £101 each month.

Motonovo Finance also says that Mr M made over 19 consecutive payments on time from the start of the agreement, which strongly suggests that the lending was affordable at the time it was approved, and that the financial difficulties that Mr M experienced began in 2019, nearly two years after the agreement, and were compounded by the government imposed restrictions in response to the pandemic. Mr M sold the car and settled the agreement in November 2022, but my role is to consider whether or not Motonovo Finance made a fair lending decision when it provided the credit to Mr M in June 2017. For the reasons given above, I don't consider that the hire purchase agreement was sustainably affordable for Mr M at the time that the car was supplied to him and I don't consider that Motonovo Finance

made a fair lending decision. I find that it would be fair and reasonable in these circumstances for Motonovo Finance to take the actions described below to put things right.

I've also considered whether Motonovo Finance acted unfairly or unreasonably in some other way, including whether its relationship with Mr M might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Mr M's complaint for the reasons given above, I don't consider that I need to make a finding on that. I consider that the actions that I've described below result in fair compensation for Mr M in the circumstances of this complaint and I'm not persuaded that it would be fair or reasonable for me to require Motonovo Finance to take any actions other than as described below.

Putting things right

As I don't consider that Motonovo Finance should have provided the credit to Mr M, I don't consider that it's fair or reasonable for it to have charged any interest or fees under the hire purchase agreement. I consider that Mr M should only have to pay the price of the car, which was £16,999, and that anything that he's paid in excess of that should be refunded to him as an overpayment. I find that it would be fair and reasonable in these circumstances for Motonovo Finance to refund to Mr M any payments that he made to it under the hire purchase agreement that exceed £16,999, with interest at an annual rate of 8% simple from the date of each overpayment to the date of settlement. HM Revenue & Customs requires Motonovo Finance to deduct tax from that interest payment. Motonovo Finance must give Mr M a certificate showing how much tax it's deducted if he asks it for one. I also find that Motonovo Finance should ensure that any adverse information about the hire purchase agreement that it's reported to the credit reference agencies is removed from Mr M's credit file.

My final decision

My decision is that I uphold Mr M's complaint and order FirstRand Bank Limited, trading as Motonovo Finance, to take the actions described above.

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

Jarrold Hastings

Ombudsman