

## **The complaint**

Mrs H complains FirstRand Bank Limited trading as Motonovo Finance (MotoNovo) acted irresponsibly by providing her a loan which was unaffordable.

## **What happened**

In January 2015, Mrs H acquired a used car through a Hire Purchase Agreement (HPA) with MotoNovo. The cash price of the car was £13,648. Mrs H paid a deposit of £500, with the remaining amount of £13,148 provided as credit through the agreement. The agreement required Mrs H to make 59 monthly repayments of £293.64, followed by a final repayment of £492.64 on month 60.

Around October 2024, Mrs H complained to MotoNovo she should never have been given the HPA as it was unaffordable for her and at the time she didn't know they had a responsibility to check she could repay the loan without having to borrow more.

MotoNovo didn't look into the merits of Mrs H's complaint as they said it had been raised too late, outside of the time frames allowed by the Financial Conduct Authority (FCA).

Mrs H remained unhappy, so she asked the Financial Ombudsman Service to look into her complaint.

MotoNovo consented to our service considering the merits of Mrs H's complaint so one of our Investigator's looked into things. Our Investigator said he didn't agree MotoNovo had completed proportionate checks prior to approving the HPA for Mrs H, and he thought had they done, those checks would've more likely than not have shown the agreement wasn't affordable or sustainable for her.

MotoNovo also said household bills were often shared, and Mrs H had declared she was working at the time of taking out the HPA, a statement they took on face value when approving the finance – both things that should be considered.

Our Investigator said having considered MotoNovo's comments, his opinion remained unchanged. He said he'd seen nothing to show MotoNovo had considered Mrs H not being solely responsible for the repayments at the time of the application, and they needed to have ensured she could sustainably meet the repayments through the whole agreement term.

Our Investigator also said while the HPA application showed Mrs H to have been in full-time employment, she couldn't recall personally inputting the data into the application. And in any case, he said had the appropriate checks been carried out, MotoNovo would've understood her actual income.

MotoNovo remained unhappy. Because no agreement could be reached, this complaint has been passed to me to decide.

## **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.

Having done so, and I acknowledge it will come as a disappointment to MotoNovo, I'm upholding this complaint for broadly the same reasons as our Investigator. I'll explain why.

All lenders are required to ensure they don't lend irresponsibly. As Mrs H has complained about irresponsible and unaffordable lending, I've considered the relevant rules, guidance and industry best practice when reaching my decision.

To decide what's fair and reasonable in all the circumstances of this complaint, I've asked the following questions:

- 1) Did MotoNovo complete reasonable and proportionate checks to satisfy themselves Mrs H would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
  - If they did, was their decision to lend to Mrs H fair?
  - If they didn't, would reasonable and proportionate checks have shown that Mrs H could sustainably repay the borrowing?
- 2) Did MotoNovo act unfairly or unreasonably in some other way?

#### Did MotoNovo complete reasonable and proportionate affordability checks?

Regulations in place at the time MotoNovo lent to Mrs H required them to carry out a reasonable assessment of whether she could afford to repay the loan in a sustainable manner. The affordability checks should be "borrower-focused", meaning MotoNovo needed to have thought about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mrs H. In other words, it wasn't enough for MotoNovo to think only about the likelihood that they would get their money back without considering the impact of the repayments on Mrs H herself.

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £18,317, with Mrs H committing to make a monthly repayment of around £294, before a final payment of around £493. This was, therefore, a lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month. So, my starting point is that I'd expect to see MotoNovo to have completed a thorough affordability check.

MotoNovo say they didn't obtain Mrs H's income at the point of application, nor did they verify what she earned or what her expenditure was. But MotoNovo did check Mrs H's credit report and relied on the results of it and the information the dealer obtained from Mrs H to approve the loan.

The information MotoNovo received from the dealer told them Mrs H was employed full-time as a sales assistant and was married at the time.

The credit file check MotoNovo completed showed them Mrs H held a mortgage to which she was committed to repaying £1,127 each month. The outstanding balance was in excess

of £194,000 and the account was showing in arrears by one month at the time and had been on nine of the previous 12 months.

Mrs H was shown to have four active credit cards on which she owed combined total balances of £17,070, 87% of her total available credit limits. Two of the credit cards were showing as having a worst status over the 12 months prior of being at least two months in arrears.

In addition, Mrs H had two active current accounts showing, both in an overdrawn position and one being in excess of the arranged limit at the time.

Finally, MotoNovo could see Mrs H had a history of taking out pay day lending, with her having taken out eight loans in the 12 months prior to the application, one being the month before and a further loan which remained active at the time.

In any case, for an agreement of this length and with repayments of this size for Mrs H to commit to, I would've expected MotoNovo to have gained at least some understanding of both her income and expenditure, however in this case, they relied only on minimal data provided within the application and the data the credit check provided them.

More so, I think considering the credit report data they saw, it's reasonable to say MotoNovo could see Mrs H wasn't managing her finances particularly well. This should've been even more of an indication they ought to have gained a better understanding of her circumstances at the time. MotoNovo didn't do this, so, I can't say their checks were proportionate.

But as I've explained above, that doesn't necessarily mean I can uphold Mrs H's complaint – I now need to consider whether MotoNovo would've likely been able to fairly decide to lend to her if they had done proportionate checks.

#### If MotoNovo had done proportionate checks, what would they have found?

Had MotoNovo independently verified Mrs H's income, I'm satisfied they'd have found her net income from employment to have been on average around £405 a month. In addition, I think they would have found Mrs H to have been receiving around £136 in child benefit payments each month. So, in total, around £542 each month. I've calculated this by taking an average from Mrs H's bank account statements for the three months prior to her application.

As MotoNovo also didn't calculate or estimate Mrs H's expenditure, I've looked at her same bank account statements, for the three months prior to the HPA being taken out.

I'm not saying MotoNovo specifically needed to obtain bank statements as part of their credit worthiness checks. But in the absence of other information, I think bank statements provide me a good indication of Mrs H's financial circumstances at the time the lending decision was made.

I'm satisfied Mrs H's bank account statements show her average monthly expenditure towards essential spending far outweighed her income each month. Mrs H could be seen to be making payments to her creditors alone of, on average, £590.

I'm in no doubt Mrs H wasn't solely responsible for essential expenditure such as payments towards her mortgage, council tax, utilities, food and travel expenses. Her income clearly showed she simply couldn't have afforded it.

But I think it was clear looking at her overall financial situation, that even if MotoNovo had taken a household income into consideration, which they didn't, even with support, Mrs H wasn't managing her finances well and wasn't in a position to take on a further large commitment.

Mrs H's credit report showed a reliance on revolving credit and pay day loans, and she was regularly falling behind on the repayments to her existing commitments. I think MotoNovo having this knowledge, alongside if they had gained a good understanding of her low income and the extent of her expenditure, meant they more likely than not would've seen the HPA was neither affordable for Mrs H, nor was it responsible to lend to her.

In summary, I'm not satisfied MotoNovo did proportionate checks – I think they should have taken steps to understand Mrs H's income and expenditure. And I'm also satisfied if they had done, they would've seen Mrs H's income was low, she was struggling financially and that affording her further credit was neither affordable for her, nor was it responsible.

I'm not satisfied MotoNovo's lending decision was fair so I'm upholding this complaint.

#### Did MotoNovo act unfairly or unreasonably in some other way?

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974 (Section 140A). However, I'm satisfied the redress I've directed below results in fair compensation for Mrs H in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

#### **Putting things right**

As I don't think MotoNovo ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement.

Mrs H should therefore only have to pay the original cash price of the car, being £13,648. Anything paid towards the agreement in excess of that amount should be refunded to Mrs H as an overpayment.

To settle Mrs H's complaint MotoNovo should do the following:

- Refund any payments towards the agreement made in excess of £13,648 to Mrs H, 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 Mrs H's credit file regarding the agreement.

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

#### **My final decision**

My final decision is that I uphold Mrs H's complaint and instruct FirstRand Bank Limited trading as Motonovo Finance to settle the complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 28 October 2025.

Sean Pyke-Milne  
**Ombudsman**