

The complaint

Mrs D complains that a hire purchase agreement with MotoNovo Finance Limited under which a car was supplied to her was unaffordable for her.

What happened

A used car was supplied to Mrs D under a hire purchase agreement with MotoNovo Finance that she electronically signed in August 2021. The price of the car was £13,500 and Mrs D paid a deposit of £800, so the amount of credit provided to her was £12,700. Mrs D agreed to make 47 monthly payments of £315.58 and a final payment of £316.58 to MotoNovo Finance.

Mrs D says that she complained to MotoNovo Finance about the affordability of the agreement in April 2024. It said that based on its records, the information available to it at the time of the application, and the details obtained from the credit reference agencies, it believed that the decision to approve Mrs D's finance agreement was reasonable and appropriate.

Mrs D wasn't satisfied with its response so complained to this service. Her complaint was looked at by one of this service's investigators who, having considered everything, didn't think that MotoNovo Finance had acted fairly. He described the actions that MotoNovo Finance should take to settle Mrs D's complaint, but he then received further information which changed those actions. He recommended that MotoNovo Finance should refund any payments made towards the agreement in excess of £13,500, with interest, and remove any adverse information recorded on Mrs D's credit file regarding the agreement.

MotoNovo Finance hasn't accepted the investigator's recommendation and has asked for this complaint to be considered by an ombudsman. It says, in summary, that: it's reasonable to assume that Mrs D's husband contributed to shared household expenses; Mrs D made all payments on time throughout the agreement, with no missed instalments which demonstrates that she was able to manage the repayments sustainably; and there's no evidence that Mrs D used payday loans and her overdraft to service the agreement.

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.

Mrs D applied to MotoNovo Finance for finance to pay for a car, MotoNovo Finance says that Mrs D's annual income was obtained at the point of purchase but verification of her income and expenditure wasn't completed. It says that it considered information about Mrs D's credit history from credit reference agencies.

MotoNovo Finance was required to make reasonable and proportionate checks to ensure that any lending was sustainably affordable for Mrs D before providing any credit to her. The amount of credit being provided to Mrs D was £12,700 and she was agreeing to make monthly payments of £315.58 for four years. I don't consider that the checks that MotoNovo Finance made were reasonable and proportionate in those circumstances. I consider that reasonable and proportionate checks would have required MotoNovo Finance to have verified Mrs D's income and to have obtained information about her expenditure.

The investigator reviewed Mrs D's bank statements for May to July 2021 to obtain information about her income and expenditure. There was no requirement for MotoNovo Finance to have obtained and reviewed those statements as information about Mrs D's income and expenditure could have been appropriately obtained in other ways, but I consider that it's fair and reasonable for me to consider the information shown by those statements.

The statements show that Mrs D's average monthly income was £915.67, her rent each month was £1,025 and she was paying more than £100 each month for existing credit commitments. Mrs D says that she spent £400 each month on food and that she split household expenditure with her husband and her share was about £866. Mrs D's share of household expenditure and her payments for her existing credit commitments were more than her average monthly income. The monthly payment under the hire purchase agreement was £315.58 and I consider it to be likely that if MotoNovo Finance had made reasonable and proportionate checks it would have identified that Mrs D would have been unable to sustainably afford to make that monthly payment and that it should have concluded that it shouldn't have provided the credit to her.

MotoNovo Finance says that Mrs D made all of the payments on time throughout the agreement, with no missed instalments and I understand that all payments under the hire purchase agreement have been made and that Mrs D now owns the car. I'm not considering whether or not those payments were made. My role is to consider whether or not MotoNovo Finance made a responsible lending decision and, for the reasons given above, I don't consider that it did so.

I don't consider that MotoNovo Finance should have entered into the hire purchase agreement with Mrs D and I consider that it's not fair or reasonable for it to have charged Mrs D any interest or fees under that agreement. 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 Mrs D might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Mrs D'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 Mrs D 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

The price of the car was £13,500 and I find that it would be fair and reasonable in these circumstances for MotoNovo Finance to refund to Mrs D any payments that she's made to it under the hire purchase agreement in excess of that amount, with interest.

The investigator said that MotoNovo Finance should remove any adverse information recorded on Mrs D's credit file regarding the agreement. I see no reason for MotoNovo Finance to have reported any adverse information about the hire purchase agreement to the credit reference agencies but, if it has done so, I agree that it should ensure that the information is removed from Mrs D's credit file.

My final decision

My decision is that I uphold Mrs D's complaint and order MotoNovo Finance Limited to:

1. Refund to Mrs D any payments that she's made to it under the hire purchase agreement in excess of the price of the car of £13,500.
2. Pay interest on the amounts to be refunded at an annual rate of 8% simple from the date of each payment to the date of settlement.
3. Ensure that any adverse information about the hire purchase agreement that it's reported to the credit reference agencies is removed from Mrs D's credit file.

HM Revenue & Customs requires MotoNovo Finance to deduct tax from the interest payment referred to above. MotoNovo Finance must give Mrs D a certificate showing how much tax it's deducted if she asks it for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 13 November 2025.

Jarrod Hastings
Ombudsman