

The complaint

Mr J is complaining that FirstRand Bank Limited trading as MotoNovo Finance (MotoNovo) acted irresponsibly in lending to him under a personal contract purchase (PCP) agreement. Mr J's complaint has been dealt with by a representative but for ease, I've written as if we've corresponded with him directly throughout.

What happened

In July 2015, Mr J entered into a PCP agreement with MotoNovo to acquire a car. He paid a deposit of £1,500 and borrowed £23,400 – the cash price of the car was £24,900. The agreement required Mr J to make 24 monthly payments of £316.35 followed by one monthly payment of nearly £20,000 if he wanted to keep the car.

In July 2017, Mr J decided he didn't want to keep the car. MotoNovo collected it and Mr J settled the balance on the agreement.

In January 2024, Mr J complained that MotoNovo didn't do enough to check that the agreement was affordable for him. He said he'd had to borrow funds and rely on personal savings to meet his monthly repayments. In response, MotoNovo said they'd carried out a credit check before lending to Mr J and were satisfied with the results of this. They also noted Mr J hadn't had arrears during the agreement and had settled it on time. They said they'd seen no evidence that Mr J had experienced financial difficulties or was having problems managing his money.

Mr J remained unhappy and brought his complaint to our service. One of our investigators looked into it and her opinion was that the complaint should be upheld. She said MotoNovo hadn't done enough checks before lending to Mr J. And she thought if they had, they'd have concluded he didn't have enough disposable income to make the repayments due under the agreement.

Mr J accepted our investigator's view, but MotoNovo didn't. They said the information available now about Mr J's circumstances at the time didn't clearly demonstrate that the repayments weren't affordable for him. And they said he'd made all repayments on time and then told them he wanted to end the agreement because he had another car on order – MotoNovo said these weren't the actions of someone experiencing financial hardship or struggling to maintain repayments. They asked for an ombudsman's decision, and the complaint came to me. I issued a provisional decision in October 2025 saying that I didn't intend to uphold Mr J's complaint. I explained why as follows:

“Did MotoNovo carry out reasonable and proportionate checks?”

MotoNovo carried out a credit check but didn't obtain any information about or make any attempt to estimate Mr J's income or expenditure before lending to him. Given the size of the loan and monthly repayments, I'm not satisfied they did carry out reasonable checks.

If MotoNovo had carried out more checks, what would they have found?

Mr J's bank statements show that his average employment income in the months leading up to his application was around £1,700 per month. The credit report MotoNovo obtained

showed he had balances on two loans and one credit card – total debt of around £3,200, with monthly repayments needed towards these debts of around £250. Deducting that from his income would have left Mr J with around £1,450 to cover his essential spending as well as the repayments needed under this new agreement.

Looking at Mr J's bank statements, I can see he paid £700 per month to a joint account. This payment was referenced "rent" but when I reviewed the joint bank account statements it's clear the account was also used to cover council tax, energy bills, insurance, TV and some food. On top of the £700 per month, Mr J made occasional top-ups to the joint account, so on average across the three months leading up to his application, he paid around £860 per month in total towards these costs. Finally, he had some other direct debits for gym and phone costs totalling around £80.

So, if MotoNovo had carried out an income and expenditure assessment before lending to Mr J, I'd expect they'd have estimated he had disposable income of around £510 per month. Once the payments due under this agreement were deducted, this would leave him with just under £200 per month. I note that my analysis doesn't include all of Mr J's food and fuel costs – so that figure would appear, at first glance, to be on the low side. But my analysis also doesn't include money being transferred to Mr J by his partner – which in the three months leading up to the lending decision averaged over £300 per month.

The bank statements also showed that Mr J was transferring money to another account in his name. On average, this was around £200 per month. I haven't seen the bank statements for this account, and Mr J hasn't told us what this was for. But I've included in my analysis all the usual essential living costs, so I wouldn't expect this to have a significant impact on my analysis. Mr J's personal bank statements also show Mr J had a significant amount of discretionary spending, no rejected direct debits, and no overdraft usage.

Looking at Mr J's credit report, he was well within his limit on his credit card and had another credit card that he wasn't using. All his active creditors were well managed, with no missed payments. And he'd settled a hire purchase agreement earlier in 2015, for which he'd paid £175 per month with no missed payments.

Taking all this together, I'm inclined to say that if MotoNovo had carried out additional checks, they could have fairly decided this agreement would be affordable for Mr J. That's because his credit file suggested he wasn't in any financial difficulties or having any trouble managing his debts. And he appeared to have sufficient disposable income from which to make the repayments needed.

In addition, as MotoNovo noted, Mr J made all his payments under the agreement on time. And I've seen no indications from MotoNovo's customer contact notes that he was in financial difficulty. Whilst I appreciate this is information that became available after the lending decision, it supports my view that this agreement was affordable for Mr J and if MotoNovo had carried out enough checks they'd also have been able to reach this conclusion."

MotoNovo didn't respond to my provisional decision, but Mr J did. He wasn't happy and in summary said:

- At the time of the agreement, his partner was occasionally helping out with household costs, but they'd separated within nine months of taking out the finance. This left him responsible for all the bills on his own, which quickly made things difficult.

- The figures used in my assessment didn't appear to include his real fuel, food, or council tax costs at the time. His ex-partner was on a low income and not in a position to help with those.
- He was living in London where everything is more expensive, and it doesn't appear that this was reflected in the affordability review.
- MotoNovo hadn't done enough checks before lending to him and if they had they'd have seen that the payments for their agreement would have taken up most of his income once realistic living costs were included.
- Contrary to my statement that he wasn't using his overdraft, the joint account was overdrawn at times.
- After his partner left he could no longer afford the vehicle and bought a significantly cheaper car. He also had to move back in with his parents. He didn't think it was fair that his early settlement of the agreement had been used as a factor against him – he'd done this by using his savings and working overtime.

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, I've not been persuaded to change my find. I appreciate this will be disappointing and frustrating for Mr J but I'll explain my reasons below.

As MotoNovo didn't carry out enough checks, I have to consider what they'd likely have found if they had carried out enough checks. Mr J's told us that his circumstances changed significantly when he and his ex-partner separated, but that's not information that MotoNovo would have found if they'd carried out more checks – Mr J says it happened nine months later. I also don't think it would have been reasonably foreseeable. So MotoNovo would have needed to rely on the information they could gather about Mr J's financial circumstances at the time.

That's why I've considered the bank statements Mr J's provided, both for his own account and for his joint account – they're the best indicator of what his financial circumstances were.

Because of the time that's passed I don't have as much information as I might normally. But, as I explained in my provisional decision, I can see that all rent, council tax, energy, insurance and TV costs were being paid from a joint account by direct debit or standing order. So, although I've only seen one month's statements for that account, it's likely that those payments were being made consistently from that account. Mr J's contributions to that account averaged around £860 per month. So I think it's reasonable to say MotoNovo would have found his contributions to rent and bills at the time came to roughly this figure.

Mr J said his food costs at the time would have been around £50 - £70 per week and his fuel would have been around £70 - £90 per week. But I haven't been able to find evidence of this in the bank statements and credit card statements he sent us – they suggest his spending on food and fuel in the months leading up to his application to MotoNovo was much lower than this.

In respect of Mr J's comment about living in London, the amounts I used in my analysis were the actual figures taken from bank statements, rather than statistical estimates.

I don't disagree with Mr J's comment that if MotoNovo had done enough checks they'd have seen that the repayments would take up most of his income once realistic living costs had

been factored in. But I don't think that's unreasonable – it suggests the agreement was affordable for him. I think it's to be expected that taking out a finance agreement for a new car will reduce a person's disposable income.

I can see that the joint account was overdrawn at times and incurred some fees for that. But I'm satisfied that doesn't mean MotoNovo shouldn't have lent to Mr J. It wasn't persistently overdrawn, his personal account wasn't overdrawn, and there was nothing else on his credit file to suggest Mr J was in financial difficulties.

Finally, Mr J's explained that he kept up with payments and settled the account early using overtime and savings. I appreciate this suggests the finance might not have been sustainably affordable for him. But, as I've explained above, the evidence I have of Mr J's financial circumstances at the time of MotoNovo's lending decision suggests that if they had carried out more checks, they'd likely have found the agreement was affordable. And so, I'm not upholding Mr J's complaint.

My final decision

As I've explained above, I'm not upholding Mr J's complaint.

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

Clare King
Ombudsman