

The complaint

Mr B has complained that MotoNovo Finance Limited (MotoNovo) unfairly provided him with credit for a car.

What happened

In March 2021, Mr B entered into a finance agreement with MotoNovo for the purchase of a car as shown below.

Date	Amount of credit	Term	Monthly payment	Total repayable
09 March 2021	£22,500	60 months	£512.42	£31,746.20

By June 2023 after a period of having difficulty making payments, Mr B let MotoNovo know he couldn't continue with the agreement. MotoNovo took possession of the car soon after and then sold it in January 2024. This reduced the amount he needed to repay, however an outstanding balance remained to be paid by Mr B.

In September 2024, Mr B complained to MotoNovo with the help of a professional representative. In the complaint, Mr B said he didn't think MotoNovo had lent responsibly to him. He felt it had failed to undertake a reasonable assessment of his creditworthiness at the time of the lending. He's said had MotoNovo completed the appropriate checks it would have found the lending was unaffordable for him.

MotoNovo looked into Mr B's complaint and issued a final response letter explaining it believed it had acted fairly in providing the credit. It said it completed proportionate checks to ensure the agreement was affordable and so didn't uphold the complaint.

Mr B didn't accept MotoNovo's response, so he referred his complaint to our service with the help of his representative. One of our investigators looked into it, and based on the evidence available, said he didn't think MotoNovo completed proportionate checks. So, he concluded its decision to lend was unfair as the agreement didn't leave Mr B with enough disposable income.

MotoNovo didn't accept what our investigator said and maintained that its checks were proportionate. So, it asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me for a 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.

Having done so, I issued a provisional decision saying:

"I think there are key questions I need to consider in order to decide what is fair and

reasonable in this case:

- *Did MotoNovo carry out reasonable and proportionate checks to satisfy itself that Mr B was able to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did MotoNovo make a fair lending decision?*
- *Did MotoNovo act unfairly or unreasonably towards Mr B in some other way?*

MotoNovo had to carry out reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit sustainably. It needed to assess the likelihood of Mr B being able to repay the credit, as well as considering the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments in relation to a customer's income, and the cost of the credit.

MotoNovo has explained that Mr B had an agreement with it already and that he had managed it well. So, it took this into account when considering his new application. It also said it carried out a credit search to get an understanding of Mr B's situation before it decided to lend to him. It's provided a copy of the credit search it undertook, and this shows that Mr B was up to date with all other accounts and didn't appear to be struggling to manage his finances.

MotoNovo has said Mr B told it his annual income was around £25,000 (around £1,700 a month). But I can't see that it verified this or gathered any information about Mr B's essential expenditure, outside his repayments to existing credit. I can see the repayments to this agreement were significantly higher than the previous agreement and amounted to around 30% of Mr B's income. On the information available, it also appears it would be running alongside his older agreement. I acknowledge Mr B was managing his active credit well at the time of the lending. But, given the increased level of the monthly repayments and his income level, I think it would have been reasonable for MotoNovo to get a better understanding of Mr B's finances before lending.

Given the lack of information MotoNovo gathered about Mr B's income and expenditure, I can't be satisfied that it carried out checks that were proportionate to the type and level of lending. It follows then that I think it would have been reasonable for MotoNovo to get a better understanding of Mr B's financial situation and disposable income before lending to him.

MotoNovo has argued that Mr B told it he earned £25,000 a year, and it could see he had a good payment history on his credit elsewhere and the other car finance agreement with it. So, it felt this was enough information to lend to Mr B, but I don't agree.

CONC 5.2A.16 (3) sets out that for the purpose of considering a customer's income it's not generally sufficient to rely solely on a statement of income made by the customer without independent evidence.

CONC 5.2A.17 (2) says that a business must take reasonable steps to determine the amount, or make a reasonable estimate, of a customer's current non-discretionary expenditure.

So, given the circumstances, I think it would have been reasonable for MotoNovo to verify Mr B's income and assess his non-discretionary expenditure.

There are a number of ways it could have done this, but for the avoidance of doubt, I'm not

making a finding here that MotoNovo needed to see Mr B's statements in order to complete its own income and expenditure assessment. Rather I think it needed to verify Mr B's income and ask him for more information about his regular essential expenditure. That said Mr B has been able to provide this service with copy bank statements from the time of the lending. In the absence of any other evidence, I think it's reasonable to rely on these to establish what MotoNovo would likely have found had it asked Mr B more questions about his finances.

I've reviewed Mr B's statements, and I can see that had MotoNovo looked more closely at Mr B's financial situation it would likely have established he would be left without sufficient disposable income to maintain the agreement. Mr B's income was sporadic, and it appears he paid himself in lump sums that needed to last for a period of time. Based on the amounts Mr B transferred to himself from his business, alongside the repayments to other debt and essential living costs I can't see Mr B had a disposable income that was sufficient to cover his regular committed expenditure and the repayments to this agreement.

So had MotoNovo carried out proportionate checks, I think it would have realised Mr B was unlikely to be able to sustainably repay what he was being lent. This means I don't think MotoNovo made a fair decision to lend to Mr B in March 2021.

Putting things right

It's not possible to put Mr B back in exactly the position he'd have been in if it wasn't for MotoNovo's unfair lending decision. As I don't think MotoNovo should have approved the hire purchase agreement, it's not fair for them to benefit from this agreement. However, Mr B has had use of the car, so it's fair he pays for that usage between March 2021 and June 2023. So, I'm satisfied it's fair he pays the cash price of the car for the time he had it. MotoNovo should therefore put things right as set out below:

- If MotoNovo no longer owns the outstanding debt it should re-acquire this or liaise with the new debt owner to ensure the following is carried out.*
- Refund all payments Mr B has made, less £10,575 for fair usage. If Mr B has paid more than the fair usage figure, MotoNovo Finance should refund any overpayments, adding 8% simple interest per year* from the date of each overpayment to the date of settlement.*

Or

- If Mr B has paid less than the fair usage figure, MotoNovo Finance should arrange an affordable and sustainable repayment plan for the outstanding balance.*
- Once MotoNovo Finance has received the fair usage amount, it should remove any adverse information recorded on Mr B's credit file regarding the agreement.*

**If MotoNovo considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate."*

MotoNovo responded to say they accepted what I'd said, but Mr B didn't confirm whether he accepted the provisional decision. His representatives asked for further clarification on how the fair usage figure was arrived at and this was provided. Neither party has provided any new information that would change my decision on the case, so I see no reason to depart from provisional decision.

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My final decision

My final decision is that I uphold this complaint and direct MotoNovo to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 December 2025.

Charlotte Roberts
Ombudsman