

## **The complaint**

Mr M complains that a hire purchase agreement with MotoNovo Finance Limited, under which a car was supplied to him, was unaffordable and that it provided the credit to him irresponsibly.

## **What happened**

A used car was supplied to Mr M under a hire purchase agreement with MotoNovo Finance that he electronically signed in September 2021. The price of the car was £28,000, Mr M paid a deposit of £5,000 and he agreed to make 59 monthly payments of £482.81 and a final payment of £483.81 to MotoNovo Finance.

Mr M complained to MotoNovo Finance in January 2025 and said that it had acted irresponsibly by approving finance without robust affordability checks, which had directly contributed to his financial distress. It didn't uphold his complaint and 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 his finance agreement was reasonable and appropriate. Mr M wasn't satisfied with its response, so referred his complaint to this service. He says that MotoNovo Finance failed to conduct adequate affordability checks before providing him with a high-value credit agreement, relying heavily on self-declared information and basic credit file data without properly verifying his financial situation.

Mr M's 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 thought that it ought to have carried out further checks to see whether the monthly repayment would be sustainable and, had it carried out the necessary verification of income and expenditure, it would have identified that Mr M had no independent source of income. He was satisfied that, if reasonable and proportionate checks had been carried out, they would have shown that the agreement wasn't affordable and sustainable for Mr M. He recommended that MotoNovo Finance should: refund any payments made towards the agreement in excess of the price of the car, with interest; and remove any adverse information recorded on Mr M's credit file regarding the agreement.

MotoNovo Finance hasn't accepted the investigator's recommendation, so I've been asked to issue a decision on Mr M's complaint. It says, in summary, that: the agreement was affordable and sustainable based on the facts at the time of sale; Mr M's own evidence supports that he was able to maintain payments for over two years, and that his subsequent financial difficulties were due to a significant and unforeseeable change in circumstances; and there's no evidence that it failed to carry out appropriate checks or ignored any warning signs.

## **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.

Mr M applied to MotoNovo Finance in September 2021 for credit to pay for a car to be supplied to him. It says that Mr M's annual income of £35,000 was obtained at that time and its records show that he had been employed since 2014, but verification of his income and expenditure wasn't completed. It says that it also considered information about his credit history from the credit reference agencies.

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 entering into the hire purchase agreement. MotoNovo Finance was providing £23,000 of credit to Mr M, repayable over five years by monthly payments of £482.81, and I consider that reasonable and proportionate checks in those circumstances would have required it to have verified the income that it had obtained and to have obtained information about Mr M's spending. As MotoNovo Finance didn't verify Mr M's income and didn't obtain information about his spending, I don't consider that the checks that it made were reasonable and proportionate.

I've considered what MotoNovo Finance was likely to have discovered if it had made reasonable and proportionate checks. Mr M says that at the time the agreement was taken out in September 2021, he was working on a self-employed basis in construction, his work was irregular and dependent on available jobs, his income varied from month to month and he didn't receive payslips or a fixed salary due to the nature of this work. He says that he hasn't been working since October 2022, when he suffered an injury after being assaulted, which has had a major impact on his health and mental health and is the main reason that he's been unable to work and has fallen into financial hardship. He says that he's been receiving benefits since November 2024.

Mr M has provided copies of some of his bank statements and the investigator looked at those statements for the three month period before the lending decision and said that there was no evidence of income being received. I don't consider that MotoNovo Finance was required to have reviewed Mr M's bank statements as it could have obtained information about his income and expenditure in other ways. MotoNovo Finance accepts that verification of Mr M's income wasn't completed and it's provided no evidence to show that he had a regular income in September 2021. If it had tried to verify Mr M's income, I consider it be more likely than not that it would have identified that Mr M wasn't receiving a regular income at that time and that a hire purchase agreement with credit of £23,000 and a monthly payment of £482.81 wasn't sustainably affordable for him. I don't consider that MotoNovo Finance made a fair lending decision and I find that it would be fair and reasonable in these circumstances for it 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 £28,000, 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 £28,000, 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.

The investigator also said that MotoNovo Finance should remove any adverse information recorded on Mr M's credit file regarding the agreement. I've seen no evidence to show that MotoNovo Finance has reported any adverse information about the hire purchase agreement to the credit reference agencies but, if it has done so, I find that it should ensure that the information is removed from Mr M's credit file.

### **My final decision**

My decision is that I uphold Mr M's complaint and order MotoNovo Finance Limited 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 3 March 2026.

Jarrold Hastings  
**Ombudsman**