

The complaint

Mr G complains that his relationship with MotoNovo Finance Limited arising from a hire purchase agreement under which a car was supplied to him was unfair. He's being represented by a legal adviser.

What happened

A used car was supplied to Mr G under a hire purchase agreement with MotoNovo Finance that he electronically signed in August 2020. The price of the car was £5,995, Mr G paid a deposit of £3,000 and he agreed to make 48 monthly payments of £88.35 to MotoNovo Finance.

The hire purchase agreement was settled in July 2023, but Mr G's representative complained to MotoNovo Finance in November 2024 about issues relating to the agreement, including that the relationship between Mr G as a debtor and MotoNovo Finance as a creditor was unfair under section 140A of the Consumer Credit Act 1974. MotoNovo Finance didn't uphold the complaint as it said that it wasn't supported by its records, the information provided to it, or information it obtained from the credit reference agencies. The complaint was then referred to this service.

The complaint was looked at by one of this service's investigators who, having considered everything, didn't think that MotoNovo Finance had acted fairly. She didn't think that the checks that it had made were proportionate and she believed that MotoNovo Finance didn't make a fair decision to lend. She recommended that MotoNovo Finance should refund any payments made towards the agreement in excess of £5,995, with interest, and remove any adverse information recorded on Mr G'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 this complaint. It says, in summary, that:

- the Financial Conduct Authority's guidance and industry practice recognise that acquiring a car is a significant, but planned, expense, it's reasonable to expect that a customer will budget for a new car and Mr G's monthly payment was a modest expense;
- Mr G's bank statements show regular DVLA payments, fuel transactions and insurance premiums, all of which are consistent with ongoing vehicle ownership and use and there are payments that are indicative of an existing car finance agreement which demonstrates that the hire purchase agreement wasn't introducing a wholly new financial commitment, but was replacing or continuing an existing motoring cost;
- Mr G made 33 payments on time, settled the agreement early, and never contacted it to discuss financial difficulties and there's no evidence that the agreement caused hardship or that he struggled to maintain payments; and
- recent ombudsman decisions have shown that where customers have managed payments without issue, and the monthly commitment is modest, complaints are often not upheld even if checks could have been more thorough and the approach in Mr G's case appears inconsistent with those decisions, as it doesn't fully consider the

sustainability of the agreement in practice or the customer's actual experience.

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 G applied to MotoNovo Finance for credit to pay for a car to be supplied to him and it says that it obtained Mr G's annual income and relied on the results of a credit check and the information that the dealer obtained from him. It says that verification of Mr G's income and expenditure wasn't completed. MotoNovo Finance was required to make reasonable and proportionate checks to ensure that any credit to be provided to Mr G was sustainably affordable for him before entering into the hire purchase agreement. Although the amount of credit being provided to Mr G was only £2,995 and the monthly payment was only £88.35, Mr G was agreeing to make those payments for four years. I consider that reasonable and proportionate checks in the circumstances of the credit being provided to Mr G would have required MotoNovo Finance to have verified Mr G's income. As it didn't do that, I don't consider that the checks that it made were reasonable and proportionate, so I've looked at what MotoNovo Finance was likely to have discovered if it had made reasonable and proportionate checks.

Mr G has provided copies of his bank statements for May to July 2020 which are three months before he entered into the hire purchase agreement. I don't consider that MotoNovo Finance was required to have asked Mr G for, or to have reviewed, copies of his bank statements as it could have verified his income in other ways. Mr G had declared to MotoNovo Finance that his gross annual income was £40,000 and he says that his average net monthly income was £2,400, but Mr G's bank statements show that his average monthly in those three months was about £1,500. I consider that, if MotoNovo Finance had tried to verify Mr G's income, it would have seen that his income was considerably lower than the income that he'd declared to it and that it would then have been reasonable for it to have obtained information about Mr G's expenditure.

If MotoNovo Finance had obtained information about Mr G's expenditure, it's likely that it would have seen that he and his wife were in a debt arrangement scheme under which they were paying £802.91 each month. The investigator calculated from the bank statements that Mr G had provided that his share of their average monthly expenditure was £1,105.75 and that amount, with his share of the debt arrangement scheme payment and the monthly payment for his other existing debt commitments, was more than Mr G's income of £1,500, so he wouldn't have been able to afford the monthly payment of £88.35 and that it shouldn't have lent to him.

Mr G made 33 monthly payments and settled the hire purchase agreement in July 2023, but that doesn't show that it was sustainably affordable for him at the time that he entered into it. I'm required to consider whether or not MotoNovo Finance made a good lending decision when it provided the credit to Mr G and, for the reasons that I've given, I don't consider that it did so. As I don't consider that MotoNovo Finance should have provided the credit to Mr G, I don't consider that it's fair or reasonable for it to have charged him any interest or fees under the hire purchase agreement. I consider that it's fair and reasonable for Mr G to pay the price of the car that was £5,995, but that MotoNovo Finance should take the actions described below to put things right.

I've also considered whether MotoNovo Finance acted unfairly or unreasonably in any other way, including whether its relationship with Mr G might have been unfair under section 140A. As I'm upholding Mr G'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 G 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

I find that it would be fair and reasonable in these circumstances for MotoNovo Finance to refund to Mr G any payments that he made to it under the hire purchase agreement that, in total, exceed £5,995, with interest on each overpayment.

Mr G's representative's November 2024 letter to MotoNovo Finance said that all adverse information relating to the agreement should be removed from Mr G's credit file. 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 and, as he made all payments when they became due and the agreement was settled early, I consider it to be unlikely that it has done so. If MotoNovo Finance has reported any adverse information about the hire purchase agreement to the credit reference agencies, I consider that it should ensure that it's removed from Mr G's credit file.

My final decision

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

1. Refund to Mr G any payments that he made to it under the hire purchase agreement that, in total, exceed £5,995.
2. Pay interest on any overpayments made by Mr G at an annual rate of 8% simple from the date of each overpayment 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 Mr G's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 December 2025.

Jarrod Hastings
Ombudsman