

The complaint

Mr H and his representative have complained about how MotoNovo Finance Limited ('MotoNovo') handled his complaint about irresponsible lending.

What happened

In September 2022 Mr H acquired a car financed by way of a hire purchase agreement with MotoNovo. Mr H was required to make 47 monthly repayments of £604.41, followed by a final payment of £19,891.00. He paid a deposit of £3,000. The total repayable under the agreement was £51,298.27.

Mr H and his representative say that Mr H was coerced by a third party into entering into the agreement. Mr H didn't make any payments under the agreement, although the third party did make some, plus the deposit. Mr H said MotoNovo didn't carry out proper checks before approving the agreement. If it had, it would have seen he'd previously taken out a credit agreement for a different car four months earlier.

Mr H brought his complaint to this service because MotoNovo was slow with its initial response. He asked for the agreement to be unwound, the outstanding balance to be written off, and to receive compensation for the distress and inconvenience he'd been through.

Although MotoNovo didn't agree that Mr H had been coerced into taking out the agreement, they agreed the lending should not have been granted. So, MotoNovo agreed to do the following:

- unwind the agreement;
- refund all interest and charges paid to date;
- add any statutory interest that was due; and
- pay Mr H £250 by way of compensation for distress and inconvenience.

As Mr H didn't have possession of the car, MotoNovo informed the police so that it could be recorded as stolen.

The third party took over the use of the car from Mr H soon after he took out the agreement.

Our investigator thought that MotoNovo's offer was fair given the particular circumstances of the complaint. He noted that MotoNovo hadn't agreed that coercion was involved but the compensation it had offered was fair and reasonable. Our investigator also noted that under the terms of the offer Mr H would be receiving a refund of all interest and charges made under the agreement, once the car had been recovered. This would put him in an advantageous position.

Mr H didn't accept our investigator's findings. He said it was unfair to make the redress conditional on the recovery of the car when he had never owned or driven it or had any other

benefit from it. He says the responsibility for recovery lies with MotoNovo and the police, not him.

The complaint has therefore 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.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Also, given that this decision will be published and given the specific circumstances of this complaint, I have also refrained from making reference to particular details about the complaint unless necessary.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr H's complaint.

Mr H and his representative say that he is being treated unfairly because the police are now involved and the matter is being treated as a crime.

I've seen that once it had been informed of the complaint, MotoNovo notified the police, given that Mr H had been deprived of the use of the car from when the agreement started. I understand that the police are aware of the approximate location of the car although it has yet to be recovered.

Our investigator thought that MotoNovo's offer of compensation was a fair one and in fact went beyond what we'd expect, given that it would put Mr H in a better position than when he'd started. That's because although the third party who was involved in the car purchase made some initial payments, Mr H will benefit by having these paid to him as part of the process of unwinding of the agreement.

The main issue that's now concerning Mr H is the timing of how this will happen. MotoNovo says it won't unwind the agreement until the car is returned to it. That's not altogether surprising when considering how hire purchase agreements generally work. As happened here, the supplier of the car (who I understand is no longer trading) sells the car to the finance provider – in this case MotoNovo - who then owns it. So, when it works as it should, the finance provider is allowing the consumer who takes out the agreement to use the car. The consumer doesn't necessarily own the car until the agreement ends and pays an option to purchase fee. Up until that point, a consumer is essentially hiring the car and doesn't own it.

So, I think that, as a lender, MotoNovo is acting correctly in seeking the return of the car before the agreement can be unwound. I realise this is a source of frustration for Mr H but the upside of the offer is that he will be coming out ahead because he will benefit from having the payments made by the third party. That's a level of remedy which goes beyond the approach we take when awarding compensation in cases like this.

It follows that I think the agreement should be unwound only once the car has been recovered and is in the possession of MotoNovo, who are the car's legal owners under the terms of the agreement.

I've also thought about whether the offer of compensation for distress and inconvenience is fair. I know Mr H says that £250 doesn't adequately reflect the scale of distress, disruption and harm caused by being held liable for the agreement. I do understand that the circumstances of what happened have had an unfortunate impact on Mr H. And so it's right that he's compensated for that. Once it had been notified of Mr H's complaint, MotoNovo didn't seek to pursue Mr H for any further payments under the agreement. On the other hand, I've seen there were some initial delays in responding to the complaint. But the proposed award is broadly in line with what we'd expect and where the impact of what happened has been more than might reasonably be expected. And I've kept in mind that ultimately, Mr H will come out of the agreement in a better financial position based on MotoNovo's offer.

I would though request of MotoNovo that the distress and inconvenience payment should be paid to him without any further delay, if that hasn't already happened.

I therefore consider MotoNovo's offer of compensation to be fair and do not require it to unwind the agreement until such time as the car is returned to it. Having noted that there's evidence of the car being driven in the local area, I'm hopeful that the police will recover it within a reasonable timeframe and that Mr H can then look forward to being free of the agreement and receiving the additional compensation.

I've considered whether the relationship between Mr H and MotoNovo might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MotoNovo lent irresponsibly to Mr H or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I think MotoNovo Finance Limited's offer to conclude Mr H's complaint is a fair one in all the circumstances. I request Mr H be paid the compensation of £250 for distress and inconvenience, if this hasn't happened already. The remaining steps to conclude the offer can then be carried out once the car has been recovered and returned to MotoNovo Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 December 2025.

Michael Goldberg

Ombudsman