

Complaint

Mr L complains that MotoNovo Finance Limited (“MotoNovo”) unfairly entered into a hire-purchase agreement with him. He’s said the payments to this agreement were unaffordable and so he shouldn’t have been accepted for it.

Mr L is being represented by (“the representative”) in his complaint. For ease of reference, I’ll refer to Mr L throughout this decision.

Background

In September 2019, MotoNovo provided Mr L with finance for a used car. The cash price of the vehicle was £13,000.00. Mr L didn’t pay a deposit and applied for finance to cover the entire £13,000.00. MotoNovo agreed to provide this finance through a hire-purchase agreement.

The hire-purchase agreement had total interest, fees and charges of £3,473.20 (made up of interest of £3,035.20 an admin fee part A of £139, an admin fee part B of £289 and an option to purchase fee of £10) and the amount to be repaid of £16,473.20 was due to be repaid in a 59 monthly payments of £269.57 and then a final payment of £568.57.

Mr L’s complaint was subsequently considered by one of our investigators. He thought that proportionate checks would have shown MotoNovo that it shouldn’t have entered into this finance agreement with Mr L. So he thought that Mr L’s complaint should be upheld.

MotoNovo disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My provisional decision of 17 November 2025

I issued a provisional decision – on 17 November 2025 - setting out why I wasn’t intending to uphold Mr L’s complaint.

In summary, I was satisfied that that proportionate checks wouldn’t have prevented MotoNovo from lending to Mr L. In these circumstances, I was of the view that it wasn’t unfair for MotoNovo to have lent to Mr L.

MotoNovo’s response to my provisional decision

MotoNovo didn’t responded to my provisional decision or ask me to consider anything further ahead of my final decision.

Mr L’s response to my provisional decision

Mr L responded to disagree with my provisional decision. In summary this was because:

- The regulator’s guidance states that it is not generally sufficient for a firm to rely solely on a statement of current income made by a customer. So I should explain

why I think that income verification wasn't necessary in circumstances where MotoNovo would have been aware that he had declared £1,608.00 per month for his income and had £832 to cover his non-credit related expenditure, once his repayments to his mortgage, this agreement and his existing credit commitments are taken into account.

- Bank statements, payslips and tax returns reasonably fall under the category of third-party documentation provided by the customer.
- His overdraft usage demonstrated that he was reliant on borrowing and the investigator was correct to take this into account in his assessment.
- It was incorrect for me to assume that he wanted the car he had chosen. He may have wanted a cheaper car and sold a more expensive car by the dealer. It was assumptive of me to conclude that Mr L wanted MotoNovo to lend to him and this is not based on fact.

While I've summarised Mr L's, most relevant recent submissions above, I wish to confirm that I've read and considered all of the correspondence that he has provided during the course of this complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Before I go on to set out my conclusions on this matter, I want to say that in parts of Mr L's response to my provisional decision he has asked to set out thoughts on what lenders generally should do prior to lending to customers. However, I think it might help for me to set out that my role here is to consider what MotoNovo did and determine whether it acted fairly and reasonably towards Mr L. It isn't for me to consider what a lender should do more generally.

In these circumstances, while I've thought about all of the comments Mr L has made, I've focused on the key things that have led to me reaching, what in my view is, a fair and reasonable decision. For the sake of completeness, I'd add that the rules of this service permit me to do this as it reflects the nature of our service which was set up to be an informal alternative to the courts.

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

Having carefully considered everything, including the events since my provisional decision, I'm still not upholding Mr L's complaint. I'll explain why in a little more detail.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator’s rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don’t think that the lender did enough to establish whether the repayments to an agreement was affordable, this doesn’t on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I’ve kept this in mind when deciding Mr L’s complaint.

MotoNovo says it agreed to this application after Mr L provided details of his monthly income and some information on his expenditure. It says it also carried out credit searches on Mr L which showed that he didn’t have any significant adverse information such as defaulted accounts or county court judgments (“CCJ”) obtained against him. Furthermore, other than his mortgage Mr L had little active credit.

In MotoNovo’s view, when reasonable repayments to the limited credit commitments Mr L already had were deducted from his income, he had enough left over to be able to make the monthly repayments to this agreement. On the other hand, Mr L says his existing commitments meant that these repayments were unaffordable and there was no way he was going to be able to maintain them.

I’ve thought about what Mr L and MotoNovo have said.

As I explained in my provisional decision, the investigator concluded that MotoNovo didn’t do enough to establish Mr L’s income, as it relied on what he’d said about it. It’s fair to say that the guidance within the rules states that for the purposes of considering a customer’s income, it is not generally sufficient for a lender to rely solely on a statement of current income made by the customer without independent evidence.

It appears to me that our investigator took this to mean that MotoNovo had to verify Mr L’s income with information akin to payslips, tax returns, or bank statements. Indeed, I note that he went on to review Mr L’s bank statements. However, I don’t interpret the regulator’s guidance in the same way as the investigator for two reasons.

Firstly, the guidance refers to it being not generally sufficient to rely on a customer’s declaration of income on its own. This is not the same as it never being sufficient for a lender to do this. So I do think that the regulator envisioned circumstances where it would be reasonable to rely solely on a customer’s declaration. I note that in his response to my provisional decision Mr L accepts this although he argues that this wasn’t appropriate in his case.

Secondly and most importantly, the provision doesn’t state that a customer’s income needs to be verified. The guidance refers to a lender not relying on a customer’s declaration on its own without independent evidence. And it subsequently goes on to provide a list of examples of independent evidence that could be sufficient should a lender obtain it.

As I explained in my provisional decision, while I accept that this list is non-exhaustive, it's nonetheless fair to say that payslips, tax returns, or bank statements aren't directly listed as examples in this section of the guidance. Of course, as this is third-party information that can confirm the accuracy of a customer's declaration of income, a lender could choose to obtain such information if it wishes to do so.

However, as I've explained earlier, it is for a lender to determine what checks it wishes to carry out. And mandating that a lender has to verify income by payslips, tax returns, or bank statements – irrespective of the circumstances – is not only inconsistent with this, it is also inconsistent with the concept of proportionality, which runs right through the regulator's rules.

In any event, what is directly referenced in regulator's list, is information provided by a credit reference agency. Furthermore, the guidance states that it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence. In my view, this is a case of the lender considering whether the declaration is reasonable in light of the evidence obtained. The word verification is not used at all in the guidance provision. So I'm satisfied that it would be inaccurate to say that verification is needed in all cases.

As I explained in my provisional decision, in this case, MotoNovo carried out a credit search which indicated that Mr L had been managing the credit that he had, including a mortgage, well. In my view, Mr L is unlikely to have been in such a position should he have not been in receipt of regular monthly credits. I agree that this did not definitely mean that Mr L's income was what he declared.

However, as I've explained that's not what MotoNovo was required to consider here. Had the information in the credit search suggested that Mr L had missed payments to his existing commitments, or had other adverse information recorded against him, I would have agreed that the information called into question Mr L's declaration of his income and it would have been proportionate for MotoNovo to request more information.

Mr L has said that MotoNovo ought to have done more given its own calculations showed that he had only just over £800 to meet his non-credit related expenditure. However, given this was after Mr L's mortgage and all of his credit commitments were deducted from his declared income. I don't think that this was unreasonable. And, in this case, as there wasn't any inconsistency in the information gathered, I think that it was reasonable for MotoNovo to rely on Mr L's declaration. To be clear, I wish to reiterate that this does not mean that it would be fair for a lender to rely on such a declaration in all circumstances.

In any event, and for the sake of completeness, I would also add that what has been provided leads me to think that even if MotoNovo's checks had gone further, it wouldn't have made a difference to its decision to lend. Mr L's income seems to have been broadly in line with what he declared receiving. Equally, when Mr L's actual committed living expenses are added to the credit commitments MotoNovo knew about as a result of its credit search and then deducted from the income Mr L declared, it seems to me that Mr L could sustainably make the repayments due under this agreement.

In my provisional decision, I noted that our investigator referred to Mr L's overdraft usage as part of his reasoning why he thought this complaint should be upheld. In his response to my provisional decision, Mr L has said that his overdraft usage demonstrated that he was reliant on borrowing and the investigator was correct to take this into account in his assessment.

However, as I explained in my provisional decision, this isn't a complaint about Mr L's overdraft. It's a complaint about a hire-purchase agreement that Mr L did go on to make the repayments to. Furthermore, as MotoNovo wasn't required to obtain bank statements at all,

let alone multiple months' worth of bank statements, I don't see how it was, or could be expected to be, in a position to assess whether Mr L was using his overdraft because he was choosing to, or because he needed to in order to make ends meet.

As I explained in my provisional decision, it is for the lender providing the overdraft to assess such matters. I would also reiterate that there isn't a prohibition on entering into a hire-purchase agreement with a customer that is using an arranged overdraft, in the way that Mr L was. After all, it is a credit facility that they have an arrangement to use.

So, it wouldn't be fair and reasonable for me to uphold a complaint solely on the basis that Mr L was using his arranged overdraft. As I've previously explained, if Mr L is unhappy with being allowed to use his overdraft in the way that he was able to, I remain satisfied that this is a matter that he needs to take up with his bank, rather than MotoNovo.

I also have to consider that Mr L's most recent submissions are being made in support of a claim for compensation. I note that in his response to my provisional decision, Mr L has said that it was incorrect for me to assume that he wanted the car he purchased. However, Mr L proactively visited a car dealership. It is difficult for me to see how and why Mr L would have visited a car dealership in September 2019 unless he wanted a car.

While there is now a suggestion that Mr L could have wanted a different car rather than the one he acquired, I'm mindful that Mr L has complained about MotoNovo's decision to enter this hire-purchase agreement with him. If it were the case that he was pushed into purchasing a car that he did not want, I don't think it unreasonable to expect him to have said this as part of his complaint.

This is especially as will have been pushed into purchasing a car he now says that he couldn't afford. But Mr L has never said that. Indeed, he hasn't actually said that he was pushed into taking a car that he didn't want in his response to my provisional decision, he's merely suggested that this is a theoretical possibility.

It should also be noted that it was Mr L that approached MotoNovo for finance, rather than it being a case of MotoNovo approaching Mr L to take finance from it. As this is the case, I'm satisfied that it is not only a fair and reasonable, but also perfectly logical for me to approach the question of what is more likely than not to have happened, had MotoNovo asked Mr L for more information, from the starting point that Mr L wanted the vehicle he acquired.

Equally, as Mr L didn't have the funds to purchase the vehicle in cash, I'm satisfied that it is also the case it is more likely than not that he wanted the finance at the time of his application. Indeed, in my view, it would be somewhat strange and arguably irrational to approach this question from the starting point that Mr L was applying for finance for a vehicle he didn't want and that he was hoping his application would be refused. This would particularly be the case when neither of these allegations were made as part of the complaint.

In these circumstances, I remain satisfied that it is not only logical but perfectly reasonable for me to approach the question that Mr L wanted the car financed and was applying for finance hoping that his application would be approved. As this is the case, it is difficult for me to reasonably conclude that Mr L would have volunteered that he had the level of expenditure he's now arguing he had and that he shouldn't be lent to, because he had been using an agreed overdraft. This is particularly as MotoNovo wasn't required to request bank statements from him in the first place and so it won't have known this.

In reaching my conclusions, I've also considered whether the lending relationship between MotoNovo and Mr L might have been unfair to Mr L under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think MotoNovo irresponsibly lent to Mr L or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, including the further submission made in response to my provisional decision, I'm satisfied that MotoNovo didn't do anything wrong when deciding to lend to Mr L - it seems to me that reasonable and proportionate checks will have shown the monthly payments to this agreement to have been affordable. So I'm not upholding this complaint. I appreciate that this will be disappointing for Mr L. But I hope he'll understand the reasons for my likely decision and at least consider that his concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 17 November 2025, I'm not upholding Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 15 January 2026.

Jeshen Narayanan
Ombudsman