

The complaint

Mr B complains that MotoNovo Finance Limited (MotoNovo) failed to conduct thorough, appropriate and reasonable affordability checks prior to lending to him.

Mr B is represented in this complaint by a claims management company but, for ease, I'll refer to Mr B directly throughout my decision.

What happened

In September 2020, Mr B acquired a car through a Personal Contract Purchase (PCP) with MotoNovo. The cash price of the car was £18,284. Mr B paid a deposit of £2,500, with the remaining amount of £15,784 provided as credit through the agreement.

The agreement required Mr B to make 48 monthly repayments of £339.85, followed by a final repayment of £6,459.69 on month 49.

In March 2024, Mr B complained to MotoNovo that they'd acted irresponsibly in providing finance without having conducted thorough, appropriate and reasonable checks, specific to his application.

In October 2024, MotoNovo sent Mr B their final response letter, but they didn't uphold his complaint. In summary, MotoNovo said they had completed reasonable and proportionate checks before entering into the agreement with Mr B and that there was no evidence of him having suffered financial detriment because of it.

Mr B disagreed with MotoNovo's response, so he referred his complaint to our service.

One of our Investigators looked into things but said she didn't think MotoNovo had completed proportionate checks and that they should have got a more thorough understanding of Mr B's financial circumstances before lending to him.

Our Investigator went on to say had MotoNovo completed further checks, she thought they would've found Mr B not to have had sufficient capacity to meet all his financial obligations, so they shouldn't have approved him for additional finance.

Mr B accepted our Investigator's opinion, but MotoNovo didn't, saying it was clear the funds he was in receipt of from his business were helping towards payments towards his credit commitments and other expenses and that this, alongside the information on his credit file demonstrated he wasn't reliant on borrowing to cover the agreement or his other outgoings.

Because our Investigator's opinion remained unchanged and no resolution could be reached, this case has been passed to me to decide.

I sent both Mr B and MotoNovo my provisional decision on 27 November 2025. I explained I'd reached a different outcome to that of our Investigator. In my provisional decision I said:

'How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr B's complaint. MotoNovo needed to

ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for him before agreeing to provide the credit.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like MotoNovo to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- 1) Did MotoNovo complete reasonable and proportionate checks to satisfy themselves Mr B would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
 - If they did, was their decision to lend to Mr B fair?
 - If they didn't, would reasonable and proportionate checks have shown that Mr B could sustainably repay the borrowing?
- 2) Did MotoNovo act unfairly or unreasonably in some other way?

Did MotoNovo complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was £25,272.49, with Mr B committing to make 48 monthly repayments of around £340, prior to a final one-off repayment of around £6,460. This was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see MotoNovo to have completed a thorough affordability check.

Mr B declared a gross annual income of £28,500 within his application and MotoNovo completed a credit file check from which they would've understood his existing financial circumstances.

The credit file check showed Mr B held six credit card accounts at the time with a total outstanding debt owed of around £33,000. He also held a mail order account, two bank accounts and two telecommunications accounts.

While in general Mr B could be seen to be managing his accounts well and all accounts were up to date at the time of the application, MotoNovo could see he'd been at least one payment in arrears on two of his credit card accounts on several occasions over the 12 months prior.

In addition, MotoNovo have confirmed they didn't take any steps to verify the income figure provided, nor did they complete any other expenditure checks prior to lending to Mr B.

Given the missed payments MotoNovo saw, alongside considering the amount and terms of the lending in question, I'm not satisfied MotoNovo's checks were proportionate on this occasion. I think they ought to have verified Mr B's income and gotten a better understanding of his circumstances and other expenditure at the time.

But as I've explained above, that doesn't necessarily mean I can uphold Mr B's complaint – I now need to consider whether they'd have been able to fairly decide to lend to him if they had done proportionate checks.

If MotoNovo had done proportionate checks, what would they have found?

I think proportionate checks would have involved MotoNovo verifying Mr B's income and finding out more about his non-discretionary expenditure to determine whether he'd be able to afford the repayments in a sustainable way.

I'm not saying MotoNovo specifically needed to obtain payslips or bank account statements as part of their credit worthiness checks. I don't think they did. MotoNovo could have verified his income by completing a check through the credit reference agencies such as a current account turnover (CATO) check. And regarding his outgoings, they could've used statistical data to estimate his likely essential expenditure, or they simply could've asked him.

But in hindsight and in the absence of other information, I've looked at his bank statements for the three months prior to when the lending decision took place, to try and obtain a better indication now, of what MotoNovo might have found if they'd have verified Mr B's income or asked him about his essential expenditure.

But because, in the specific circumstances here, I don't think the bank account statements provide me with a full and clear picture of Mr B's final circumstances at the time, I've also considered Mr B's testimony and the credit file he had provided.

Having looked at the same information and having taken into account only Mr B's sole income and 50% of his day-to-day essential expenditure, our Investigator thought MotoNovo ought to have determined Mr B would've had on average a negative disposable income of around £870 a month when including the repayment towards the agreement in question. But I don't agree. I'll explain why.

Mr B has explained that at the time of the sale he was told to provide a 'household income' and declared a gross annual figure of £28,500. I've not seen anything within the application data I've been provided to suggest MotoNovo ought to have been aware this wasn't Mr B's sole income, but even if they had been aware, this would have equated to a joint net monthly income of around £2,220.

Had MotoNovo conducted what I consider would've been proportionate steps to verify Mr B's income, I think a CATO check, or similar, would've reassured them the figure provided hadn't been inflated. I say this because having looked at the bank statements for Mr B's sole account alone, he received an average of around £8,000 a month into his account over the three months prior to the application. As such, I'm satisfied it would've been reasonable for MotoNovo to have relied on the income figure provided.

Next, to determine what MotoNovo would likely have found if they looked into Mr B's non-discretionary expenditure, I've looked at the same period of statements, for both his sole and joint bank accounts.

Mr B has explained at the time, some transactions seen on his statements relate to his business such as reclaiming money he'd previously paid out personally due to the business suffering during the pandemic. Because of this, I'm not satisfied all of the transactions seen can be taken on face value, for example, the large repayments towards Mr B's credit cards.

At the time of the application, the credit check MotoNovo completed showed them Mr B's outstanding credit card debt was around £32,990. But it can be seen on Mr B's statements

that he repaid on average £1,940 to those credit cards each month across the three months prior.

The credit file provided by Mr B also shows that at the time of the application, his outstanding credit debt had decreased to £24,853 in the month of August 2020, and further to £22,432 by September 2020.

Mr B's complaint highlights he opened one new finance account prior to taking on the agreement in question, and took out additional finance in the months after, reflecting his dependency on borrowing. But I can see the credit card account opened prior to the application was never used. Further, over the six months after September 2020, Mr B's overall outstanding credit card debt had reduced down to around £6,500. Throughout the following three months it had reduced further to around £3,350 owed across all his credit cards.

While I acknowledge neither Mr B, nor MotoNovo, could've been certain as to what would've happened going forward, on balance, I think Mr B would've more likely than not have told them his credit card debt was reducing at a pace much faster than his contractual obligations required. And I'm not persuaded this would've been possible, solely from the £28,500 income declared.

Mr B's statements also show a commitment of around £290 to what appears to be business finance. While I understand this may have been physically paid from Mr B's joint account, the account had on average £4,900 a month credited into it over the three months prior to the application, a figure not in keeping with a joint salary of £28,500. So again, I'm not persuaded this commitment was paid solely from the joint income declared.

In summary, it's been difficult to differentiate between payments on Mr B statements carried out for the purpose of him personally or in relation to his business.

Mr B told us food costs were covered from the joint income. While I've not been able to identify much towards this spend on the joint statements or towards other spend such as travel costs, maybe due to the circumstances at the time, Mr B was mortgage free and had minimal non-discretionary expenditure towards other living costs such as utilities, council tax and insurances.

On balance, I think had MotoNovo asked about Mr B's essential expenditure, for the reasons I've explained, it's more likely than not they would've been able to determine the agreement was both affordable and sustainable for him. As such, I don't think it was unfair for them to have lent to him.

Did MotoNovo act unfairly or unreasonably in some other way?

I've also considered whether MotoNovo acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think MotoNovo lent irresponsibly to Mr B 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.'

Neither Mr B, nor MotoNovo responded with any further comments or evidence for me to consider in response to my provision 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.

As neither party provided anything further for me to consider following my provisional decision, I've seen no reason to reach a different outcome to the one I reached previously.

My final decision

For the reasons set out above in my provisional decision, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 January 2026.

Sean Pyke-Milne
Ombudsman