

## **The complaint**

Mr S has complained that MotoNovo Finance Limited (“MotoNovo”) provided credit to him irresponsibly and that this credit was unaffordable.

## **What happened**

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Mr S entered into a finance agreement (“the Agreement”) with MotoNovo for the purchase of a van. The Agreement was dated 30 April 2020. It was for a 61-month term with a fixed rate of 3.5%. The total repayable was £11,434.80. He settled the Agreement in June 2025.

In May 2025, Mr S complained to MotoNovo with the help of a professional representative. Where I refer to “Mr S”, I am taking into consideration the information provided to this service by the professional representative.

Mr S said that he didn’t think MotoNovo had lent to him responsibly and they had failed to undertake adequate checks to ensure the lending was affordable for him. Mr S further said that had MotoNovo completed the appropriate checks they would have found the lending was unsustainable for him and this led to an unfair relationship.

MotoNovo looked into Mr S’s complaint and issued a final response letter explaining they believed they had acted fairly when completing their checks. They said that they had confirmed the Agreement was affordable by checking the information the credit reference agencies held. Further, there were no missed payments or arrears on the Agreement during its term. Overall MotoNovo said that their decision to lend was fair.

Mr S didn’t accept MotoNovo’s response, so he referred his complaint to our service with the help of his representative. One of our investigators looked into it and said that he didn’t think MotoNovo had completed proportionate checks and had they done so, they would have found the lending to be unaffordable. So, he didn’t think MotoNovo had acted fairly in lending to Mr S.

MotoNovo didn’t accept what he’d said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me to decide.

## **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.

Our approach to complaints about irresponsible and unaffordable lending is set out in detail on our website. I’ve used this approach to help me decide Mr S’s complaint. For example, I’ve considered the relevant rules and guidance on responsible lending set out in the Financial Conduct Authority’s (“FCA”) Consumer Credit Sourcebook (“CONC”).

In summary, MotoNovo needed to carry out reasonable and proportionate checks before providing credit to Mr S to ensure they did not do so irresponsibly.

There is no set list of the checks MotoNovo had to do. What constitutes a proportionate affordability check will depend upon a number of factors including, but not limited to, the amount, type and cost of the credit Mr S was seeking as well as his overall financial circumstances. I've kept all of this in mind when thinking about whether MotoNovo did what they needed to do before providing the credit to Mr S.

MotoNovo say that they rely upon their customers to declare income figures which they don't verify. Nor do they obtain or benchmark information about expenditure. They do carry out credit reference agency ("CRA") searches for repayment history, existing credit commitments, and any adverse credit markers.

MotoNovo say that when Mr S applied for this credit, he declared that he was employed with a gross annual income of £37,500. This figure wasn't verified. Mr S signed a declaration confirming he was satisfied that he could afford the finance including its monthly payments as shown on the Agreement; and there was no reason why that would change. CONC 5.2A.16 (3) sets out that for the purpose of considering a customer's income it is not generally sufficient to rely solely on a statement of income made by the customer without independent evidence.

I can't see they gathered any information about Mr S's essential expenditure, outside his existing credit commitments. CONC 5.2A.17 (2) says that a business must take reasonable steps to determine the amount, or make a reasonable estimate, of a customer's current non-discretionary expenditure.

MotoNovo examined Mr S's existing credit commitments. No missed payments or defaults in the past 12 months, County Court Judgments ("CCJs"), Individual Voluntary Arrangements ("IVAs") or bankruptcy were shown by the credit search. There were no signs of financial vulnerability. The credit search showed that Mr S appeared to be managing his existing credit well.

However I think it would have been reasonable for MotoNovo to get a better understanding of Mr S's finances before lending. I say this:

- given the amount of the credit;
- because the information on file shows that Mr S's employment status was uncertain;
- because MotoNovo had no evidence to confirm his income including whether or not it was fixed each month; and
- they had no information to determine or make a reasonable estimate of Mr S's current non-discretionary expenditure.

So, I think it would have been reasonable for MotoNovo to have verified Mr S's income and assessed his non-discretionary expenditure. I then need to decide what reasonable and proportionate checks would have shown.

There are a number of ways they could have verified income and expenditure. Mr S has been able to provide this service with Open Banking and other financial information from the time of the lending. In the absence of any other evidence, I think it's reasonable to rely on this to establish what MotoNovo would in all likelihood have found had they asked Mr S about his finances.

I can see from the information for the three months prior to the Agreement that Mr S's income varied considerably from month to month. Overall, there was a shortfall in income

against his regular essential outgoings. MotoNovo would thereby have seen that the Agreement was not affordable to him in April 2020.

I therefore don't think that MotoNovo completed reasonable and proportionate checks when they entered into the Agreement. Had such checks been completed, then I think MotoNovo would have seen that the Agreement wasn't affordable or sustainable for Mr S; and they didn't make a fair decision to lend.

I have considered the additional points raised by MotoNovo, being the declaration signed by Mr S; and the fact that there were no missed payments or arrears on the Agreement during its lifetime.

So far as the declaration is concerned, I don't think it was sufficient to obviate the need for MotoNovo to have carried out reasonable and proportionate checks when they entered into the Agreement.

Turning to the lack of missed payments or arrears in the context of irresponsible lending, I don't think MotoNovo should reasonably have expected this at the time of their decision to lend irrespective of what in fact happened. Again I don't think the account history was sufficient to obviate the need for MotoNovo to have carried out reasonable and proportionate checks when they entered into the Agreement.

In reaching my conclusions, I've also considered whether the relationship between Mr S and MotoNovo might have been unfair to Mr S under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already given I think MotoNovo did treat Mr S unfairly in their decision to provide credit. So I don't need to make a finding on this issue.

### **Putting things right**

Given my findings:

- Mr S should retain the van;
- MotoNovo should refund any payments Mr S has made in excess of £9,600 representing the original cash price of the van;
- They should add simple interest at 8% per annum from the date of each overpayment to the date of settlement; and +
- They should remove any relevant adverse information from Mr S's credit file.

+ HMRC require MotoNovo to deduct tax from any amount of interest. They must give Mr S a certificate showing how much tax has been taken off if he requests one.

### **My final decision**

My final decision is that I uphold Mr S's complaint about MotoNovo Finance Limited for the reasons I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 21 May 2026.

Richard Ellison  
**Ombudsman**