

Complaint

Miss H complains that MotoNovo Finance Limited (“MotoNovo”) unfairly entered into a hire-purchase agreement with her. She’s said the payments to her agreement were unaffordable.

Background

In July 2023, MotoNovo provided Miss H with finance for a used car. The cash price of the vehicle was £13,495.00. Miss H was required to pay £480.50 to settle the remaining finance on her previous agreement and this was added to the £13,495.00 she required. So Miss H entered into a 60-month hire-purchase agreement with MotoNovo for the £13,975.50 she required to complete her acquisition.

The loan had interest, fees and total charges of £5,347.90 (comprising of interest of £5,346.90 and an option to purchase fee of £1), and the total amount to be repaid of £18,842.90 was due to be repaid in 59 monthly instalments of £322.04 followed by a final monthly payment of £323.04. Miss H settled the agreement in full in February 2025.

Miss H’s complaint was considered by one of our investigators. She didn’t think that MotoNovo had done anything wrong or treated Miss H unfairly. So she didn’t recommend that Miss H’s complaint should be upheld. Miss H disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

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

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 Miss H’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss H’s complaint. I’d like to explain why in a little more detail.

MotoNovo needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that MotoNovo needed to carry out proportionate checks to be able to understand whether Miss H could make her payments in a sustainable manner before agreeing to lend to her. And if the checks MotoNovo carried out weren’t sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. 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.

MotoNovo agreed to this application after it asked Miss H to provide details of her employment and it decided to carry out credit searches on Miss H. The credit searches showed up that Miss H had some existing credit but this was for low amounts and being relatively well maintained. MotoNovo says that the information it had at the time indicated that the monthly payments on this agreement were affordable for Miss H.

On the other hand, Miss H says that she couldn't afford the monthly repayments.

I've thought about what Miss H and MotoNovo have said.

The first thing for me to say is that while I accept that MotoNovo carried out a credit check, I'm not persuaded that MotoNovo's checks went far enough. In my view, given the amount of the monthly payment and the length of time the agreement was due to run for, I think that MotoNovo needed to take further steps to ascertain Miss H's income and living costs for its checks to have been proportionate here. I can't see that MotoNovo did this. So I'm not satisfied that its checks before lending were proportionate in this instance.

MotoNovo's failure to carry out proportionate checks isn't on its own sufficient for me to conclude that MotoNovo unfairly lent to Miss H. It's only fair and reasonable for me to reach this conclusion and uphold the complaint, in circumstances where I'm satisfied that Miss H lost out as a result of MotoNovo's checks.

This will only be the case should it be clear that MotoNovo carrying out such checks would have shown it that the monthly payments for this agreement were unaffordable and so it should have decided against lending. I've therefore considered what a proportionate check is more likely than not to have shown MotoNovo.

While I've looked at the bank statements Miss H has provided in order to do this, I've done this because I'm having to retrospectively determine what a proportionate check is likely to have looked like a number of years after this should have been done. And bank statements have all the information I now need to do this. However, I wish to make it clear that MotoNovo was not required to review Miss H's bank statements prior to lending.

In any event, the bank statements provided do appear to show that when Miss H's committed regular living expenses are added to what MotoNovo knew about her existing credit commitments and then deducted from the funds she was receiving, there were sufficient funds left over, at the time at least, for her to sustainably make the repayments due under this agreement.

I appreciate that Miss H says that she didn't have the disposable income to make the payments to this agreement. However, the figures being put forward now are from an expenditure assessment conducted from bank statements. This is a more granular assessment capturing Miss H's total expenditure rather than a likely indication of what Miss H is likely to have declared about her living expenses. And even then the amount that Miss H says she had left, doesn't clearly show me that she shouldn't have been lent to.

I'm also mindful that Miss H's most recent submissions are being made in support of a claim for compensation and at the time of the application at least, Miss H would have wanted the car. So, in my view, any explanations she would likely have provided to MotoNovo at the time are more likely to have been with a view to persuading it to lend her, whereas now she's trying to show that the agreement was unaffordable.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any credit provided was unaffordable. I'm satisfied that the available information does not clearly show me that proportionate checks would have shown that Miss H could not make the monthly payments to this agreement in a sustainable manner.

Finally, while I accept that this is not in itself determinative, I do think that it's also worth noting that Miss H not only made all of her monthly payments while she had the agreement on time, she also settled the finance early and well ahead of schedule. Miss H's actions in doing this do not corroborate what she's said about the monthly payments being affordable for her.

So having carefully considered everything, I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Miss H could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that MotoNovo would have declined to lend if it had found out what it needed to here.

In reaching my conclusions, I've also considered whether the lending relationship between MotoNovo and Miss H might have been unfair to Miss H 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 Miss H or otherwise treated her 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 carefully considered everything, I'm satisfied that MotoNovo didn't act unfairly towards Miss H when it entered into this hire-purchase agreement with her and I'm not upholding her complaint. I appreciate that this will be very disappointing for Miss H. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 11 May 2026.

Jeshen Narayanan
Ombudsman