

## **Complaint**

Miss P 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**

Miss P has made a separate complaint about the commission that MotoNovo paid the broker that arranged her finance. But that matter is being considered separately and so doesn't form part of this final decision.

In February 2019, MotoNovo provided Miss P with finance for a used car. The cash price of the vehicle was £6,990.00. Miss P paid a deposit of £1,210.83 and entered into a hire-purchase agreement with MotoNovo to cover the remaining £5,779.17. The loan had interest, fees and total charges of £1,792.95 (comprising of interest of £1,434.95, an admin fee A of £199, an admin fee B of £149 and an option to purchase fee of £10), and the total amount to be repaid of £7,572.12 (not including Miss P's deposit) was due to be repaid in 47 monthly instalments of £185.72 and 1 final payment of £344.72.

Miss P's complaint was considered by one of our investigators. He didn't think that MotoNovo had done anything wrong or treated Miss P unfairly. So he didn't recommend that Miss P's complaint should be upheld.

Miss P 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 P's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Miss P'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 P could make him payments in a sustainable manner before agreeing to lend to him. 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 says it agreed to this application after it completed an income and expenditure assessment on Miss P. During this assessment, Miss P provided details of her monthly income. MotoNovo says it also carried out credit searches on Miss P which showed up some existing credit but that this was being relatively well maintained.

Furthermore, MotoNovo says that Miss P would have enough left over to meet her regular living costs once her payments to her creditors was deducted from her income. On the other hand, Miss P says that she couldn't have afforded this.

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

The first thing for me to say is that MotoNovo's searches show the use of at least one payday loan albeit some six months before this application. In any event, much like our investigator, I don't think that the checks MotoNovo carried out did go far enough. In my view, MotoNovo needed to take further steps to ascertain Miss P's actual living costs, given what the credit search showed in order for its checks to have been proportionate.

As MotoNovo didn't carry out sufficient checks, I've gone on to decide what I think MotoNovo is more likely than not to have seen had it obtained further information from Miss P. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected MotoNovo to have had a reasonable understanding about Miss P's regular living expenses as well as her income and existing credit commitments.

To be clear I'm not going to carry out a forensic analysis of whether the loan payments were affordable. I'm simply going to consider what MotoNovo is likely to have done if it obtained the missing information I think it should have done here. I say this because this information provided does appear to show that when Miss P's committed regular living expenses are deducted from her credit commitments, MotoNovo was more likely that not to have concluded that Miss P could sustainably make the repayments due under this agreement.

I accept it's possible that Miss P's actual circumstances at the time might have been worse than what the information she's provided shows. I know that Miss P has referred to being a full-time student even though what she's provided suggests that she was receiving an income. In any event, MotoNovo won't have known this. All it could do was make a decision based on what it had, or is likely to have had, had it done proportionate checks.

Having considered everything, I'm satisfied that the available information indicates that MotoNovo is likely to conclude that Miss P did have sufficient funds left over, once her regular living expenses and discernible committed expenditure was deducted from her monthly income, to make her monthly payments in a sustainable manner. As this is the case, I'm not persuaded that MotoNovo doing more checks here would have resulted in a different outcome.

Overall and having carefully considered everything, while I don't think that MotoNovo's checks before entering into this hire purchase agreement with Miss P did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have prevented MotoNovo from providing these funds, or entering into this hire-purchase agreement with her.

I've also thought about what Miss P has said about not recalling an appropriate notification being displayed when she electronically signed her agreement. The first thing for me to say is that everything I've seen suggests that Miss P purchased her vehicle at a dealership. Secondly, even if this isn't the case, Miss P not recalling a notification, particularly in circumstances where the vehicle being purchased was likely to be the primary focus of her attention, does not in itself mean that one wasn't provided.

Finally, and most importantly, I have to consider what is fair and reasonable in all the circumstances of the case. Miss P was purchasing a vehicle and there is no dispute that she signed the finance agreement. Miss P obtained a vehicle and made the payments each month until the agreement was settled early in September 2022.

It therefore seems to me that Miss P was aware she had an obligation to pay – her actions in making the payments she did clearly show this to be the case – and as this is the case, I don't think what's been said about notifications means that I should uphold this complaint or award compensation here.

I'm therefore satisfied that MotoNovo didn't act unfairly towards Miss P when it agreed to provide the funds and I'm not upholding Miss P's complaint. I appreciate that this will be very disappointing for Miss P. 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 P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 5 January 2024.

Jeshen Narayanan  
**Ombudsman**