

Complaint

Mr T complains that MotoNovo Finance Limited (“MotoNovo Finance”) unfairly entered into a hire-purchase agreement with him. He’s said he was in financial difficulty as a result of already being in a lot of debt and so he shouldn’t have been lent to.

Background

In May 2019, MotoNovo Finance provided Mr T with finance for a used car. The cash price of the vehicle was £18,851.90. Mr T paid a deposit of £100 and applied for a loan to cover the remaining £18,751.90. The loan had interest, fees and total charges of £4,679.70 (comprising of interest of £4,678.70 and an option to purchase fee of £1), and the total amount to be repaid of £23,431.60 (not including Mr T’s deposit) was due to be repaid in 59 monthly instalments of £390.51 and one final payment of £391.51.

Mr T’s complaint was considered by one of our investigators. She didn’t think that MotoNovo Finance had done anything wrong or treated Mr T unfairly. So she didn’t recommend that Mr T’s complaint should be upheld. Mr T 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 Mr T’s complaint.

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

MotoNovo Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that MotoNovo Finance needed to carry out proportionate checks to be able to understand whether Mr T could make his payments in a sustainable manner before agreeing to lend to him. And if the checks MotoNovo Finance 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 Finance says it agreed to this application after it completed an income and expenditure assessment on Mr T. During this assessment, Mr T provided details of his monthly income. MotoNovo Finance says it also carried out credit searches on Mr T which showed up an existing hire-purchase agreement with another provider. But Mr T's sales invoice shows that that was for his existing vehicle which he was part-exchanging and the outstanding finance balance on that agreement was being settled as part of this transaction.

Furthermore, MotoNovo says that the rest of Mr T's commitments show that he wasn't overly indebted and that he'd have enough left over to meet his regular living costs once his payments to his creditors were deducted from his income. On the other hand, Mr T says he was already struggling to manage his debts at the time and that these payments were unaffordable.

I've thought about what Mr T and MotoNovo Finance have said.

The first thing for me to say is that much like our investigator, I don't think that the checks MotoNovo Finance carried out did go far enough. MotoNovo Finance's searches showed that Mr T had had previous difficulties with credit. In my view, MotoNovo Finance needed to take further steps to verify Mr T's actual living costs, given what the credit search showed in order for its checks to have been proportionate.

As MotoNovo Finance didn't carry out sufficient checks, I've gone on to decide what I think MotoNovo Finance is more likely than not to have seen had it obtained further information from Mr T. Bearing in mind, the length of time of the agreement and the amount of the monthly payment, I would have expected MotoNovo Finance to have had a reasonable understanding about Mr T's regular living expenses as well as his 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. I say this because this information provided does appear to show that when Mr T's own figures on his committed regular living expenses are used, MotoNovo is likely to conclude that Mr T could sustainably make the repayments due under this agreement.

I accept it's possible that Mr T's actual circumstances at the time might have been worse than what the information he's provided shows and I've seen what he's said about his personal circumstances at the time. In particular he says that he was more indebted than it appears and had a poorer credit score.

The credit checks carried out do show that Mr T was a regular user of home collected credit. But this regular use was in 2014, 2015 and 2016. And there was a one-off loan in 2017. It's fair to say that this use of this product was historic by the time of this application and him not using this product in the same way is likely to have improved his credit rating in the lead up to this application – especially as the rest of his credit was appears to be reasonably maintained too.

Furthermore, I can only go on what the information provided suggests. I don't think that MotoNovo would have known about other debts, if there were any, or that Mr T had a really poor credit score. I say this because Mr T received an APR of 9.5% at this time. This isn't indicative of MotoNovo knowing that Mr T was heavily indebted, or that his credit score was poor.

As I've explained, what I'm required to think about here in order to determine whether MotoNovo Finance acted fairly and reasonably towards Mr T, is whether MotoNovo is likely

to conclude that Mr T had sufficient disposable income to enable him to make the monthly payments to this agreement.

Having considered everything, I'm satisfied that the available information indicates that MotoNovo is likely to conclude that Mr T did have sufficient funds left over, once his regular living expenses and discernible committed expenditure was deducted from his monthly income, to make his monthly payments in a sustainable manner. As this is the case, while I do sympathise with the tough time Mr T has said he's gone through, I'm not persuaded that MotoNovo doing more checks here would have resulted in a different outcome.

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

I'm therefore satisfied that MotoNovo Finance didn't act unfairly towards Mr T when it agreed to provide the funds and I'm not upholding Mr T's complaint. I appreciate that this will be very disappointing for Mr T. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 28 December 2023.

Jeshen Narayanan
Ombudsman