

Complaint

Mr M complains that MotoNovo Finance Limited (“MotoNovo”) unfairly entered into a hire-purchase agreement with him. He’s said the payments to his agreement were unaffordable.

Background

In October 2019, MotoNovo provided Mr M with finance for a used car. The cash price of the vehicle was £6,495.00. Mr M paid a deposit of £495 and applied for a loan to cover the remaining £6,000.00. The loan had interest, fees and total charges of £1,914.70 (comprising of interest of £1,534.70, an admin fee of £379 and an option to purchase fee of £1), and the total amount to be repaid of £7,914.70 (not including Mr M’s deposit) was due to be repaid in 53 monthly instalments of £146.55 and one final payment of £147.55.

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

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr M’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 Mr M could make his 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 Mr M. During this assessment, Mr M provided details of his monthly income.

MotoNovo says it also carried out credit searches on Mr M which showed up some existing credit but that this was being relatively well maintained.

Furthermore, MotoNovo says that Mr M would have enough left over to meet his regular living costs once his payments to his creditors was deducted from his income. On the other hand, Mr M says that he couldn't have afforded this and has referred to being in an arrangement to pay on an account.

I've thought about what Mr M and MotoNovo have said.

The first thing for me to say is that I don't know if MotoNovo was aware of Mr M being in arrangement to pay on an account as I can't see this on its searches. Although I do accept that it may have only sent me the results on some of Mr M's accounts. In any event, given the circumstances, much like our investigator, I don't think that the checks MotoNovo carried out did go far enough. In my view, bearing in mind the overall circumstances, MotoNovo needed to take further steps to ascertain Mr M's actual living costs 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 Mr M. 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 Mr M'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 here. I say this because this information provided does appear to show that when Mr M's committed regular living expenses are deducted from his credit commitments, MotoNovo is likely to conclude that Mr M could sustainably make the repayments due under this agreement.

I accept it's possible that Mr M's actual circumstances at the time might have been worse than what the information he's provided shows. I know he says that his income was increased by received mileage benefits that this was guaranteed and increased his income. I also realised that this is likely to have drastically changed in the following months as the global situation altered and Mr M simply wouldn't have done as much travelling. But MotoNovo won't have known any of 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 Mr M 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 M has said he's gone through, I'm not persuaded that MotoNovo doing more checks here would have resulted in a different outcome here.

So overall and having carefully considered everything, while I don't think that MotoNovo's checks before entering into this hire purchase agreement with Mr M 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 him.

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

disappointing for Mr M. 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

My final decision is that I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 December 2023.

Jeshen Narayanan
Ombudsman