

The complaint

Mr P complains that a hire purchase agreement for a car via MotoNovo Finance Limited was mishandled, leading to him suffering financial loss and inconvenience.

What happened

In November 2019, Mr P arranged to purchase a car via a three-year hire purchase agreement with MotoNovo. The supplying dealer said it would arrange for the car to be taxed and would sort the V5 formalities for Mr P. Mr P took the car after the supplying dealer confirmed it had been taxed.

However, in December 2019, Mr P was informed that the car had not been taxed, and that the car was liable to be clamped because of this. As Mr P didn't yet have the log-book he arranged for the car to be taken off the road and stored until the road tax could be arranged.

Mr P complained to the supplying dealer. The supplying dealer says it confirmed there had been an administrative error and the car wasn't taxed. It says that it offered to rectify the situation, but Mr P declined as he wanted to reject the car. Mr P says he was concerned that without being properly taxed it would have an impact on his insurance cover, and so made a complaint to MotoNovo.

MotoNovo upheld Mr P's complaint as it agreed there had been an error made by the supplying dealer over the taxing of the car. It sorted out the issue and so the car was properly taxed in February 2020. MotoNovo paid Mr P £500 as compensation for the distress and inconvenience that had been caused, but it declined to pay the storage charges incurred by Mr P keeping the car off the road. MotoNovo said it wasn't able to accept the invoice from the garage that had been keeping the car as it wasn't VAT registered.

Mr P was unhappy at the decision made by MotoNovo and complained to this service. Our investigator recommended that Mr P's complaint should be upheld. She said that she was satisfied the supplying dealer had made an error over the taxing of the car, having agreed to do so before Mr P took it. And, under section 56 of the Consumer Credit Act 1974, MotoNovo was liable for things that the supplying dealer had said during the sale of the car to Mr P.

Our investigator said she thought it was unreasonable for MotoNovo to decline to reimburse Mr P the cost of transporting the car to be stored and the storage fees. She said, although the garage wasn't VAT registered, this was only due to the size of its turnover and didn't mean it wasn't a legitimate business. The storage fee had been reasonable, and even though Mr P and the garage owner may have been friends, this didn't mean the charges weren't legitimate. An invoice had been provided. The investigator also said that MotoNovo hadn't at any point told Mr P that the car could only be stored on VAT registered business premises.

MotoNovo had reimbursed Mr P for two months car insurance, which our investigator said she thought was fair. But the car had been in storage for a total of 56 days, meaning Mr P had been unable to use it throughout that period and the investigator said she thought a fair

settlement would be for MotoNovo to do the following:

- Reimburse Mr P the cost of the transporting the car to the garage and the storage fee of £1,445, together with interest at the yearly rate of 8% simple from the date of payment until the date of settlement.
- Provide Mr P with a pro-rata refund of the monthly instalments under the agreement to reflect the period during which he was unable to use the car.
- Pay Mr P £350 compensation for the distress and inconvenience caused by not having the car taxed and not being able to use it.
- Deduct the £500 already paid to Mr P from the total balance of the above matters when providing the settlement amount to Mr P.

Mr P agreed with the view of our investigator, but MotoNovo disagreed. It said it thought its settlement had been fair and had allowed for one month of Mr P not being able to use the car. MotoNovo said that Mr P hadn't made payment under the agreement until February 2020, and so hadn't paid for the car when he hadn't been able to use it. It also said it didn't think Mr P had been consistent about where he had stored the car, that it was policy not to reimburse costs from non-VAT registered businesses and that Mr P had already made the storage arrangements for the car before he'd made contact with it.

As the parties were unable to agree the complaint has been passed to me.

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.

It isn't disputed that the supplying dealer had agreed to have the car taxed for Mr P and that it told him this had been done. The supplying dealer says that it inadvertently placed the tax on a car with a similar registration. Mr P says he doesn't accept the explanation as he thinks he would still have received a V5 document, albeit with the wrong details. While I appreciate Mr P's concerns over the actions of the supplying dealer, I don't have enough evidence to say what happened other than an error occurred and the car, which should have been taxed, was not. This error was not due to any actions of Mr P and he was entitled to rely on what he had been told would be done by the dealership regarding the road tax.

Mr P drove the car for around a month believing it to be taxed correctly. Shortly before Christmas Mr P was informed the car had no tax and was liable to be clamped. Mr P has explained that he wasn't able to keep an untaxed car on the road and didn't have anywhere off-road that he could safely keep the car. He therefore made arrangements to have the car moved and stored.

MotoNovo says that Mr P had originally said the car had been stored on the private land of a friend, but then had produced the storage invoice. It also said the car had been in storage for 11 days before Mr P made contact with it.

I've seen that it was Mr P who had made the first contact with the supplying dealership on learning the car was untaxed. MotoNovo says the dealership offered to rectify the situation but Mr P refused. I think it's fair to say there was a breakdown in the relationship between the dealership and Mr P and I'm not surprised by this. Mr P was very aggrieved at discovering that the car he'd been using may not have been properly insured due to no fault of his own. I also don't think Mr P has unduly delayed in bringing his complaint to MotoNovo.

In the circumstances I think Mr P acted reasonably in quickly making arrangements for the storage of the car. He has explained that he wasn't able to keep the car at his home and couldn't keep it on the road as it was untaxed. I think by acting as he did, Mr P has kept the car safe and limited the legal consequences of it not being properly taxed.

I appreciate Mr P said he taken the car to a friend's property, but I don't think that means the charges for transporting it there, or for storage were unreasonable. These are also business premises so, even if Mr P knew the owner, it doesn't mean that the storage of the car wouldn't have incurred a cost for Mr P. MotoNovo has objected to reimbursing the storage costs because the business is not VAT registered, as it says this is its policy. But I don't agree that the view taken by MotoNovo in these circumstances is fair. The charges were reasonably and properly incurred by Mr P, and arose only because there was an error over the taxing of the car. I haven't seen any evidence that Mr P was advised at any time that, if the car to be stored off-road, it could only be at a VAT registered business premises.

So, I agree with the view taken by our investigator that the storage costs were properly incurred by Mr P and that MotoNovo should reimburse him the full amount.

MotoNovo says that any pro-rata refund of the monthly instalments for the period Mr P was unable to drive the car was unfair. It raises that Mr P didn't start to make payments under the agreement until February 2020. Looking at the hire purchase agreement I've seen that payments don't fall due until the agreement has been live for two months, after which Mr P must make 36 monthly instalments. So, the cost of the car is spread out over those 36 months, though the car is in his possession for 38 months. I don't think it's fair that Mr P pays for a car that he hasn't been able to have full use of throughout the whole life of the agreement as this would mean that he would be treated differently to other consumers with the same agreement. I think it's fair that a pro-rata refund is calculated of the monthly payments to reflect that for 56 days Mr P was unable to use the car.

Mr P was unable to use the car over the Christmas period and into February 2020. I've seen that this led to him cancelling a holiday, although he has been able to reschedule that. He also arranged another form of transport. MotoNovo says that if Mr P had transport issues it would have arranged something for him, but he didn't raise that as a need with it. However, I haven't seen that MotoNovo raised this issue with Mr P either. I think it's reasonable to say that Mr P suffered distress and inconvenience by not being able to use the car, due to the error over the road tax. I think an amount of compensation is fair to reflect the impact dealing with the untaxed car caused. I agree that £350 is a fair and reasonable amount.

So, for the reasons given above, I'm upholding Mr P's complaint.

Putting things right

I'm asking MotoNovo to do the following:

- Reimburse Mr P the £1,445 cost incurred for transporting and storing the car at the garage together with interest at the yearly rate of 8% simple from the date of payment until the date of settlement.
- Provide a pro-rata refund of the monthly instalments under the agreement to reflect the 56 days Mr P was unable to use the car.
- Pay Mr P £350 compensation for the distress and inconvenience cause by having to deal with the untaxed car.
- Deduct the £500 already paid to Mr P from the overall settlement amount.

My final decision

So, for the reasons set out above, I'm upholding Mr P's complaint and I'm asking MotoNovo Finance Limited to do the following:

- Reimburse Mr P the £1,445 cost incurred for transporting and storing the car at the garage together with interest at the yearly rate of 8% simple from the date of payment until the date of settlement.
- Provide a pro-rata refund of the monthly instalments under the agreement to reflect the 56 days Mr P was unable to use the car.
- Pay Mr P £350 compensation for the distress and inconvenience caused by having to deal with the untaxed car.
- Deduct the £500 already paid to Mr P from the overall settlement amount.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 February 2021.

Jocelyn Griffith
Ombudsman