

The complaint

Mr B complains about the way in which Moneybarn handled his account.

What happened

In January 2015 Mr B was supplied with a car and entered into a conditional sale agreement with Moneybarn. The agreement was for 42 months with monthly repayments of £253.07.

In December 2015 Mr B advised Moneybarn that he was experiencing financial difficulties. Moneybarn asked Mr B to complete an income and expenditure form and determined that he could only pay £90.56 per month. A payment plan was agreed.

The payment plan failed and Moneybarn advised Mr B to seek independent debt advice. Mr B did this, and sent an updated budget which showed that he had very little disposable income.

Moneybarn advised Mr B of his exit options but he declined these so the account was defaulted.

Following the issue of the default notice, Mr B told Moneybarn that he was waiting for a large payment from a third party, which he expected to receive before the expiry of the default notice. Moneybarn re-offered the exit options but Mr B didn't take these up.

The arrears on the account weren't cleared so Moneybarn terminated the agreement and arranged to collect the car.

Some time later, in June 2018, Moneybarn wrote to Mr B and said it was refunding £2,681.74 because it hadn't offered him the cheapest option to exit the agreement.

Mr B wasn't happy with the way his account had been handled and brought his complaint to this service.

Our investigator looked at how Moneybarn had handled things and said that in some respects it could've handled things better. She recommended that Moneybarn pay compensation of £200 for the trouble and upset caused to Mr B.

Mr B agreed but Moneybarn didn't respond so I've been asked to make a final decision.

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.

I've looked at how Moneybarn handled the account to see whether it acted fairly and reasonably.

The investigator has provided a very detailed record of all of Mr B's communications with Moneybarn. I'm not going to go into that level of detail here, but I'll focus on whether I think

Moneybarn acted fairly and whether it could've handled things differently.

I've looked at how Moneybarn responded when Mr B advised it that he was experiencing financial difficulties. I'd expect a business to respond positively and sympathetically in these circumstances. Moneybarn checked Mr B's income and expenditure and set up a payment plan, which is what I'd expect them to do. They also wrote to Mr B advising him about the arrears on his account and sent him some texts about this as well. I understand that Mr B found this distressing, but I don't think Moneybarn did anything wrong here because its obliged to make sure that a customer is aware of arrears on the account.

I've looked at the payment plan itself. Mr B agreed a plan of £90.58 per month, but I can see he didn't manage to keep to it. Moneybarn sent missed payment messages as a result. Although I think Moneybarn acted fairly in offering a payment plan, its not clear why it thought Mr B could make payments at this level and clear his arrears as well. I don't think, based on his income and expenditure details, he was in a position to do this. It's not even clear that Mr B was aware that he was expected to clear his arrears as well as make payments under the payment plan. I think Moneybarn should've done more here to make sure that the payment plan was affordable for Mr B and that he understood what was expected of him.

Later, when Mr B sent Money barn an updated budget, I can see that Moneybarn advised him that it wouldn't accept less than £80 per month, even though the budget showed that Mr B couldn't afford to pay this. I don't think Moneybarn acted fairly here, as it was clear that Mr B's financial circumstances were such that he couldn't afford £80 per month.

I've thought about whether Moneybarn acted fairly in defaulting the account. I'm satisfied that the account was more than 3 months in arrears and based on the ICO guidelines, I don't think Moneybarn did anything wrong here. Although Mr B had told Moneybarn he was expecting a large payment, this had already been delayed several times, so I don't think Moneybarn acted unreasonably in defaulting the account.

I understand that Mr B is disappointed that Moneybarn defaulted the account and collected the car whilst he was expecting the large payment. But on balance, I think Moneybarn waited a reasonable time for the large payment, and I don't think it acted unfairly by terminating the agreement and collecting the car. I don't think it would be reasonable to expect Moneybarn to put off collecting the car indefinitely – on Mr B's own admission, the funds he was expecting had by then been delayed several times.

Putting things right

Taking everything into account, and although I understand that Mr B would have found it distressing to receive letters and texts about the arrears, I don't think Moneybarn has acted unfairly. But in relation to the payment plans, I think Moneybarn could have handled things better. It's clear that this has had an impact on Mr B and I think compensation should be paid.

My final decision

My final decision is that I uphold the complaint. Moneybarn Limited must pay compensation of £200 to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 April 2021.

Emma Davy
Ombudsman