

## **The complaint**

Ms A complains about the outstanding balance she is required to pay after N.I.I.B. Group Limited trading as Northridge Finance (Northridge) terminated her car finance agreement.

## **What happened**

In March 2018, Ms A entered into a 49 month personal contract purchase (PCP) agreement for a used car. The agreement total was £8,009, she was required to pay monthly instalments of £116 followed by an optional final payment of £2,305.

Around May 2019, Ms A was made redundant and as a result she suffered financial hardship. She made Northridge aware in August 2019 and they applied a 'breathing space' on the account. In November 2019, Northridge issued a notice of default for the arrears amount of £467. As this wasn't paid, the agreement was terminated in March 2020 and a default applied. The account was transferred to a company who I will refer to as T in order to repossess the car. However there were delays in doing so as T's collection activity had been temporarily suspended due to the Covid-19 pandemic.

In the meantime, there was back and forth between Ms A, Northridge and T about how much she was required to pay to settle the agreement in full as she wanted to keep the car. According to Ms A, she received conflicting information and figures about this.

The car was eventually collected and sold at auction in August 2020, the sales proceeds of £2,680 was paid towards the outstanding balance but there was a shortfall of £3,426 which Northridge said Ms A must pay. She complained.

Northridge said it was made clear to Ms A that she could either settle the agreement in full to keep the car or it would be repossessed. They said as this didn't happen, the car was repossessed meaning she was liable for the shortfall following its sale.

Unhappy with their response, Ms A referred the complaint to our service. Our investigator recommended the case wasn't upheld as they were satisfied Northridge had acted fairly and in line with the agreement. Ms A disagreed. She maintained her position and said she made an offer to pay £5,600 to settle the agreement but this wasn't accepted by Northridge. As they weren't willing to accept the offer, she didn't believe she was responsible for paying the shortfall. She wants Northridge to write off the outstanding balance and remove the default.

As an agreement couldn't be reached, the complaint has been referred to me to decide.

## **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.

Having done so, I've decided not to uphold Mrs A's complaint, I'll explain why.

## **Termination of the agreement**

Firstly, I wish to say I'm sorry to hear Ms A suffered from financial difficulty, I understand this would've been a difficult time for her. In such circumstances, the CONC guidance which can be found in the Financial Conduct Authority's (FCA) handbook says the financial business should treat the consumer with forbearance and due consideration. There's not a defined list as to what steps should be taken but it may include measures such as payment holidays, temporarily freezing the interest, agreeing to accept reduced payments, etc.

Based on Northridge's contact notes, Ms A made them aware of her financial difficulty and change of address in August 2019, which was a few months after she was made redundant. The last payment towards the agreement was in May 2019. Once Northridge was aware of the situation, they applied a 'breathing space', meaning no interest or charges would be applied for a temporary period of time. Having reviewed the account statement I can see this is what happened. According to Northridge, they also spoke to Ms A about options to end the agreement early in September 2019 however I have no evidence to show this happened so I can't reasonably say this conversation did take place or what was discussed. However based on what I do know about the breathing space, I'm satisfied Northridge demonstrated forbearance and due consideration by putting this measure in place to support her.

By October 2019, it would appear Ms A's circumstances hadn't changed as she told Northridge she remained without employment. In response they said the breathing space couldn't apply indefinitely. I note by this time, the account was at least five months in arrears. In November 2019, Northridge issued a default notice, I consider this to be reasonable given the circumstances. I say this because Northridge had provided a fair amount of time for Ms A to secure further employment, bring the account up to date and they had frozen interest and charges. Despite this, there was no indication Ms A was in a position to pay the arrears and resume paying the contractual payments. Having read the default notice, I can see it was made clear what would happen should the amount not be paid by the deadline.

In response, Ms A advised Northridge that she was due to start a new job but she wouldn't be able to meet the default notice deadline of 25 November 2019 but she would be able to pay on 22 December 2019. However there's no evidence any payment was made. Later in January 2020, she told them the employment offer fell through but she had secured another one and she would be able to pay in February 2020 but based on the account statement, no payment was received.

In line with the terms of the agreement, Northridge proceeded to terminate the agreement in March 2020. I don't think it would've been reasonable for Northridge to allow the arrears to increase indefinitely so I believe their decision to terminate the contract and to start the process of repossessing the car was a reasonable one.

### **Repossession of the car**

When a car finance agreement is terminated, the car is repossessed and the consumer is liable to pay the outstanding balance. Based on evidence, I'm satisfied Ms A hadn't paid a third of the total amount payable therefore Northridge wasn't required to obtain a court order to repossess the car. The car wasn't collected immediately as one would expect following the termination but this was beyond the control of either party due to the pandemic.

While waiting for the car to be taken back, there were a number of conversations between Ms A, Northridge and T which I've listened to. On at least one occasion she told Northridge to go ahead with the repossession but in later calls she asked how much it would be to settle the agreement in full and to retain the car. Northridge confirmed on several occasions across different calls that it was necessary to pay £5,9733 to settle the agreement so I don't agree

with Ms A's comments that she was given conflicting information and she was told it would be £5,790.

Ms A has mentioned she offered to pay £5,600 to settle the agreement but this wasn't accepted by Northridge. During the calls, she's also said if the car was taken back and sold at auction for less than £5,600 she wouldn't be held liable to pay any shortfall. Northridge said they have no record of this offer and based on the evidence I've seen there is no indication of such a conversation. Even if I was to accept this was discussed, it would've been at Northridge's discretion whether or not to accept it. This is because the proposed offer by Ms A was less than the outstanding balance. There is nothing in the terms that said Northridge must agree to settle the agreement for less than what they are contractually entitled to. Therefore if this conversation did take place, I don't think Northridge's refusal to accept the offer was unfair.

Despite Ms A expressing her intention and ability to settle the account in full, there is no evidence any payment was received so I find it was reasonable for the car to be repossessed in August 2020. In such circumstances, it's usual practice that the car would be sold and the net sale proceeds would be paid towards the balance outstanding. In this case, that's what happened, the car was sold in August 2020 and £2,680 was credited to the account thereby lowering the outstanding balance owed by Ms A. I know Ms A doesn't believe she should be liable for the shortfall of £3,426 however based on the terms of the agreement, I find she is contractually liable to pay this amount as it's owed to Northridge.

Overall, I believe Northridge demonstrated forbearance and due consideration during Ms A's time of financial difficulty. In line with the terms of the agreement, I believe they acted fairly in deciding to terminate the agreement and to repossess the car. I'm satisfied Ms A is responsible for paying the outstanding balance so it won't be asking Northridge to remove the default, write off the outstanding balance or reimburse the monthly instalments as Ms A has asked.

Lastly, if Ms A is still suffering financial difficulty I wish to remind Northridge that they should treat the situation with forbearance and due consideration when deciding how best for Ms A to pay the balance.

### **My final decision**

For the reasons set out above, I've decided not to uphold Ms A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 2 August 2022.

Simona Charles  
**Ombudsman**