

The complaint

Mr L complains about the way Moneybarn No 1 Limited handled his account.

What happened

In November 2017 Mr L was supplied with a car and entered into a conditional sale agreement with Moneybarn. The cash price of the car was £9000, with a total amount repayable of £18,177 payable by monthly instalments of £303 over 5 years.

In 2019 Mr L experienced some personal and financial difficulties. He contacted Moneybarn to advise them that he was out of work and that he was considering his debt management options. Mr L also made Moneybarn aware of his mental and physical health concerns.

Moneybarn gave Mr L a breathing space to enable him to decide what he was going to do.

In June 2019 Moneybarn sent an arrears letter to Mr L. It gave him the option of ending the agreement and signposted him to organisations who could offer help with his financial circumstances.

Moneybarn gave Mr L the following options:

Voluntary termination £4,123.50

Hand back/surrender £8,768.40

Early settlement £9,110.16

Default termination £9,817.81

Mr L contacted Moneybarn and said he wanted to voluntarily terminate the agreement. Moneybarn processed the voluntary termination and issued a final balance letter to Mr L.

Mr L contacted Moneybarn in August and September and explained that he was in financial difficulties. Moneybarn gave him a further 30 days breathing space.

Mr L subsequently raised a complaint with Moneybarn. He felt he'd been treated unfairly and said his credit score had been affected. Mr L queried the outstanding balance and said the amount he'd been asked to pay was too much. Mr L asked Moneybarn to waive the arrears and pay compensation for the stress it had caused him.

In response, Moneybarn acknowledged that Mr L had made them aware of his difficulties and said it had responded by applying breathing space to the account. Moneybarn said it had explained the exit options available to Mr L and had made him aware of what the outstanding amount would be if he chose to voluntarily terminate. Moneybarn said it had reported negative information on Mr L's credit file due to the arrears which had accrued from December 2018 to June 2019, and said that following voluntary termination in June 2019, an unclassified marker had been reported. Moneybarn asked Mr L to contact them to discuss setting up an affordable payment plan.

Mr L wasn't happy with the response and brought his complaint to this service. He's unhappy that his credit score has been affected and wants the outstanding balance written off.

Our investigator upheld the complaint in part. She said she was satisfied that Moneybarn had provided details of the various options for ending the agreement early to Mr L and that he had chosen the best possible outcome in terms of how much he'd need to pay. The investigator said she was satisfied that the calculations were correct and that Moneybarn had acted fairly in offering Mr L payment plans and breathing space. The investigator didn't think that Moneybarn had responded to Mr L in a timely manner and/or hadn't addressed the specific points he had raised when he emailed them in August and September 2019. She said that Moneybarn should pay compensation to Mr L for the trouble and upset caused.

Mr L didn't agree. He said that Moneybarn had disposed of the car too cheaply at auction leaving him with a large balance to pay. He said he'd been told by Moneybarn that he owed £9000 less whatever the car sold for.

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 reviewed the contact notes and letters. I can see that Mr L made Moneybarn aware of his financial difficulties in early 2019, and that in response, Moneybarn gave Mr L breathing space and set out the available options for ending the agreement early.

The contact notes show that Mr L advised Moneybarn on 28 June 2019 that he wanted to voluntarily terminate the agreement. At the time the car was returned, the outstanding account balance was £13,212.00. the halfway point amount (half of the total amount payable under the agreement) was £9,088.50, leaving Mr L with £4,123.50 to pay.

Mr L's complaint is that Moneybarn treated him unfairly and that he was asked to pay too much for the car. I've focussed on these issues.

When a consumer is experiencing financial difficulties, I'd expect a provider of credit to respond positively and sympathetically. I can see that Moneybarn gave Mr L breathing space, offered a payment arrangement and set out the available options for ending the agreement early. It also asked Mr L to make contact to arrange an affordable payment plan for the outstanding balance. Taking all of this into account, I'm satisfied that Moneybarn responded positively and sympathetically to Mr L.

Mr L has said that he was told by Moneybarn that he owed around £9000 minus what the car sold for. I've looked at the letter which sets out the available options for early settlement which Moneybarn sent to Mr L. There's nothing in the letter which suggests early settlement in the way that Mr L has described. I can't see anything in the contact notes to support what Mr L has said. I wasn't present when Mr L discussed his options with Moneybarn over the phone so I can't be certain of what was said. But it seems that there has been some confusion between voluntary termination (which is the option Mr L chose) and voluntary surrender. With a voluntary termination, you repay 50% of the total amount repayable under the agreement. 50% of the total amount repayable under Mr L's agreement was £9,088.50, and his account balance was £13,212.00, which is how the outstanding balance of £4,123.50 was calculated. There are no further adjustments to make in a voluntary termination (provided that the car is returned in good condition), so the price that the car is sold for at auction makes no difference to the outstanding amount of £4,123.50.

In a voluntary surrender, the car is given back, and the consumer owes the outstanding

balance (in this case £13,212.00). the finance company sell the car and deduct the net sale proceeds from the outstanding balance, leaving the consumer liable for the remainder.

As I've said, I haven't seen anything to suggest that Mr L was told that the outstanding balance was £9000 and that the net sale proceeds of the car would be deducted from this figure. Based on what I've seen, Moneybarn set out all of the options for ending the agreement early and Mr L chose the cheapest option of voluntary termination.

I'm unable to say that Moneybarn has acted unfairly or unreasonably here, so I won't be asking them to write off the balance. Nor do I think its fair for me to ask Moneybarn to remove the adverse information from Mr L's credit file, because the information reported reflects the fact that the account was in arrears for the first part of 2019, before the agreement was voluntary terminated.

I appreciate that this has been a difficult time for Mr L. I can see that he wrote to Moneybarn more than once and didn't receive a timely reply. I think Moneybarn could've done more to respond to Mr L during this time, so I think its fair to ask it to pay compensation for the distress and inconvenience caused.

Putting things right

To put things right, Moneybarn No 1 Limited must pay compensation of £100 to Mr L.

My final decision

My final decision is that I uphold the complaint. Moneybarn No 1 Limited must pay compensation of £100 to Mr L for distress and inconvenience..

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 23 June 2022.

Emma Davy
Ombudsman