

The complaint

Mr J complains Moneybarn No. 1 Limited (Moneybarn) failed to correctly set up an arrangement to pay.

What happened

In September 2017, Mr J entered into a 60 month conditional sale agreement for a used car. He was required to pay monthly instalments of £404.

During the course of the agreement, Mr J experienced ill health meaning he was unable to work which resulted in him experiencing financial difficulty. To assist him, Moneybarn agreed to a number of payment deferrals and payment plans.

In September 2021, Moneybarn agreed to a three month payment plan in which Mr J was required to pay the contractual amount plus an additional £79 in order to reduce the arrears. This was due to start in October 2021. Mr J said October's payment wasn't taken by direct debit as he expected. As a result, Moneybarn said he had broken the payment plan and they weren't willing to reinstate it. They said Mr J needed to pay at least an additional £300 per month to clear the arrears to bring the account up to date by the end of the agreement.

The agreement fell into further arrears. Mr J complained. Moneybarn accepted they had incorrectly told Mr J October's payment would be taken by direct debit. For that, they offered £20 compensation.

Unhappy with their response, Mr J referred the complaint to our service. Our investigator recommended the case was upheld. They concluded the three month payment plan wasn't set up correctly and Moneybarn hadn't given clear information about it. To put things right, they said Moneybarn should pay £150 compensation and update Mr J's credit file for October 2021 to show a payment hadn't been missed.

Moneybarn agreed but Mr J maintained his position. In summary, he said there were several instances of Moneybarn failing to set up payment plans correctly in the past which had negatively impacted his credit file. He said he had tried to contact Moneybarn on numerous occasions to resolve the issue without success. He also said had they allowed him more time, he would've been able to get the account back up to date within a reasonable period.

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 agree with the findings of the investigator and I've decided to partially uphold Mr J's complaint.

I'm aware Mr J raised a previous complaint which concerned the account and Moneybarn's actions between January and July 2020. As our service has already investigated that complaint, I won't be commenting on this further. From my understanding there was a further complaint about matters around September 2020 however I don't find this to be subject to this complaint. In this decision, I will only be considering what happened concerning the payment plan that was due to start in October 2021.

Moneybarn accept Mr J was given incorrect information about the payment for October 2021, that isn't in dispute so I don't find it necessary to any further comments about this. Moneybarn accept there was a failing as Mr J was told the payment would be taken automatically by direct debit but it wasn't.

What remains in dispute is how to put things right. Moneybarn initially offered £20 but they later agreed to the investigator's recommendation of £150 compensation and to remove adverse information from Mr J's credit file for October 2021. Based on what I've seen, I'm satisfied this resolution is fair and reasonable in the circumstances. I'll explain.

Mr J states because of Moneybarn's failing, the payment plan was cancelled which meant the arrears increased. I understand the agreement later came to an end and the car was given back.

I can understand why Mr J would've been frustrated and upset by this. The payment plan was cancelled due to no fault of his own and Moneybarn weren't willing to reinstate it. Therefore I consider it fair for adverse information to be removed from Mr J's credit file for October 2021. Instead he was told he would need to pay at least £300 a month. Given Moneybarn had recently discussed his financial circumstances, it would've been clear he wouldn't have been able to afford that amount. Based on Moneybarn's contact notes, Mr J told them that he believed three months would allow him the opportunity to get his business back up and running and his financial circumstances would improve.

When the payment plan was initially set up, Moneybarn advised at the end of the three month period they would review the situation. It's difficult for me to say what would've happened had October's payment been made and the payment plan completed successfully. For example, would Mr J's financial circumstances had significantly improved, would Moneybarn have agreed to another payment plan, etc. I can't say with any certainty what would've happened but I've thought about what I believe is most likely to have happened.

Having done so, I'm persuaded Moneybarn would've taken further action at that point and sought to bring the agreement to an end rather than allowing the arrears to continue accumulating. I say this because Mr J had a number of plans in the past but the arrears on the account remained significant at over £4,000 and the expectation was the agreement would be brought up to date by the end of the term. In order for that to happen, the monthly instalments would've had to increase significantly. Based on what I've seen including the history of repayments and Mr J's financial circumstances at the time, I'm not persuaded he would've been in the financial position to bring the account back up to date within a reasonable period of time after the three month plan or by the end of the agreement.

Overall, while I accept there was a failing by Moneybarn as outlined above, I'm not convinced that alone was the cause of the build up of the arrears. I also don't consider the failing to be the determining factor in further action being taken by them. Nevertheless I recognise the impact of the situation on Mr J which is evidenced by the number of calls and emails he had with Moneybarn. It's clear this matter caused him worry and upset at a time that was already difficult. For that, I believe £150 compensation is a fair and reasonable amount given the circumstances.

I sympathise with the situation Mr J now finds himself in and I recognise he will be disappointed by my outcome however I hope he accepts my reasons for doing so.

My final decision

For the reasons set out above, I've decided to partially uphold Mr J's complaint.

To put things right, Moneybarn No. 1 Limited should:

- Pay £150 compensation to Mr J for the trouble and upset caused;
- Remove any adverse information for October 2021 from Mr J's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 4 October 2022.

Simona Charles
Ombudsman