

The complaint

Mr A is unhappy as he believes he was misled about the price of a car he acquired using a conditional sale agreement with Moneybarn No. 1 Limited trading as Moneybarn.

What happened

Mr A acquired a used car in March 2022 funded in part by a conditional sale agreement provided by Moneybarn. When he got it, the car was around three years old and had covered around 13,000 miles. The cash price for the car was £27,499. This figure included Value Added Tax ("VAT") which amounted to £4,583.17.

Mr A says he was misled about the price of the vehicle. Mr A said the cars at the dealer didn't have prices on them. He said he was never told what the price of the car he acquired was as the dealer wouldn't give him a straight answer. And Mr A says he was shocked to find out VAT was added to the price and was only aware once his money was taken from him. Mr A says this is not something he would be able to charge for if he was to sell the vehicle in the future and says if he had known, he would have walked away.

In May 2022, Mr A complained to Moneybarn and requested, among other things, for the agreement to be unwound. Moneybarn responded saying they needed more time to investigate. Mr A, unhappy with Moneybarn's response, referred his complaint to our service. He says that he doesn't object to the general payment of VAT on purchases, but is unhappy in the manner that this tax was hidden from him until it was too late.

Mr A has since requested an early settlement figure from Moneybarn and the agreement has been paid and settled in June 2022.

Moneybarn later responded to Mr A's complaint, and said that as the agreement had been settled, they cannot unwind the agreement.

Our investigator found that Moneybarn didn't need to do anything further. In summary, she explained she thought the cash price of the car had been made clear on the agreement and that it was reasonable for the cash price to include VAT. She also went on to explain that, even if Mr A wasn't aware of the VAT, she didn't think this would have stopped Mr A from entering into the agreement.

Mr A disagreed with our investigator. He says that the VAT was completely hidden from him until all the finance paperwork had been signed and the money had been agreed to be paid. As Mr A disagreed, the complaint has been passed 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'm not upholding this complaint and I'll explain why below.

Mr A complains about a car supplied under a conditional sale agreement. Entering into consumer credit contracts such as this as a lender is a regulated activity. So I'm satisfied I can consider Mr A's complaint about Moneybarn.

When considering what's fair and reasonable, I take into account relevant law, regulations and guidance. Section 56 of the Consumer Credit Act 1974 ("S56") is relevant to this complaint. S56 explains that, under certain circumstances, a finance provider is liable for what was said by a credit broker or supplier before a credit agreement is entered into. I'm satisfied S56 applies here. So, I can consider what Mr A says he was told about the car and finance by the dealer before he entered into the contract.

Mr A says he wasn't told the price of the vehicle he acquired, until he had signed the agreement. He says the dealer wouldn't give him a straight answer when he asked about the price. So I have firstly considered whether the cash price of the vehicle was made clear to Mr A.

Before the agreement was signed, Mr A wasn't bound by it and wasn't obligated to take the car. He could have walked away at any time. I have seen a copy of the agreement, which Mr A has signed. It shows the cash price of the vehicle being acquired as £27,499. I think it's more likely than not Mr A was aware of the vehicle's cash price before signing the agreement as it was clearly visible on it. I also think, even if the dealership wasn't initially forthcoming with its price, I think it's more likely than not Mr A wouldn't have decided to take the car and sign the agreement without being told the price.

Mr A has also said he was shocked to find out VAT was added to the cash price of the vehicle. I've considered if a misrepresentation has occurred here. I would consider a misrepresentation to have taken place if Mr A was told a 'false statement of fact' that induced him into entering into the agreement when he otherwise would not have.

Mr A was given a VAT invoice during the sales process, which clearly discloses the VAT payable. And I haven't seen enough to make me think it's likely Mr A was told VAT didn't apply to the car, nor that he was told an incorrect amount of VAT applied. So, I don't think a false statement of fact has been given here.

I've also considered whether VAT needed to be disclosed separately on the agreement Mr A signed. But, this wasn't a requirement. And the VAT invoice set out that £4,583.17 was payable and that it was included within the cash price of the vehicle. So I don't think Moneybarn needs to take any action here.

Mr A says he has lost out as a result of VAT being payable, but I don't think he has. Mr A was purchasing the vehicle from a dealership rather than from a private seller, so VAT would likely have always been payable.

In summary, I'm satisfied that the information supplied shows that the cash price was made clear on the agreement. I think it is reasonable for the cash price to include VAT. I don't think Mr A was misled about the VAT nor that the agreement was misrepresented. And I'm not persuaded Mr A has suffered a loss due to the inclusion of VAT within his agreement. So, I don't think Moneybarn need to take any action.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 4 January 2023.

Ronesh Amin
Ombudsman