

The complaint

Mr A complains that Admiral Financial Services Ltd failed to identify a car he bought had uncleared finance on it.

What happened

In July 2019, Mr A acquired a second-hand car which was funded by a finance agreement with Admiral. In May 2021, Mr A paid the outstanding balance of the agreement and sought to sell the car privately. However, he was unable to do so as he then discovered there was outstanding finance of some £2,000 to be paid on it with another lender from a previous purchase.

Mr A made a complaint to Admiral but it said it had completed a HPI check on the car before offering the finance and having identified there was a previous finance arrangement it had written to the dealer which had sold the car to instruct them to settle it. Admiral said that the dealer had confirmed the outstanding finance had been cleared. It added that the dealer confirmed to them that the outstanding finance was settled. Admiral said it had seen a bank statement confirming this and the dealer had received a letter confirming the settlement of the outstanding finance.

Admiral rejected Mr A's complaint and suggested he take the matter up with the dealer. Mr A brought his complaint to this service where it was considered by one of our investigators who recommended it be upheld.

He noted that the finance had since been settled and Mr A had been able to sell the car. It was sold for £17,000 in May 2022. However, he believed that Mr A had been unconvinced through no fault of his own and he suggested compensation of £150 be paid.

Mr A said he had lost out due to the delay in being able to sell the car as it had devalued during that time. He also explained that he was unable to use the car as if he had suffered an accident the insurer would pay out to the finance company. He had bought another car for his use.

Admiral supplied a copy of the dealer's bank statement from 2019 which showed £20,000 had been paid for the car.

I asked for further information and Mr A said he had not been told who paid off the outstanding finance. He confirmed he had bought a replacement car on 16 May 2021 funded by another finance agreement. He explained he had lost out on investing the money into his business.

I issued a provisional decision which read as follows:

"I have noted that Admiral relied on the dealer to confirm that the finance was cleared and it received reassurance that it was. Regrettably that was incorrect and Mr A was left in a position whereby he had car he wanted to sell, but he was unable to do so for some time. I consider he had a reasonable expectation that the car was free from any finance and once

he had paid off the money he had borrowed he should have been in a position to sell it as he wished.

How this situation arose is not clear, but I consider Admiral had a responsibility to ensure the car was sold free from finance and while it relied on what it was told I do not think Mr A should lose out because of this error. In short Admiral financed a car which already had finance on it and whether or not it was misled by the dealer or anybody else.

As a result of this Mr A has been inconvenienced and deprived of access to funds. He bought another car on finance, having paid off the £20,000 loan he had with Admiral. Had he been able to sell, the car he would have had the use of those funds either to buy the new car or invest elsewhere. He has explained that since the car was owned by the original finance company that any insurance pay out that might arise would go to it and not him. I consider it reasonable that he took steps to reduce his risk by keeping the car unused until he could sell it.

I think it is only fair that Mr A should be compensated for the distress and inconvenience he has suffered and he also be compensated for being deprived of the use of his money.

In such circumstances this service expects businesses to pay annual simple interest at 8% to cover the loss of use of funds. I think that should apply from the date Mr A bought his replacement car until he sold the old one. I also think Admiral should pay him compensation of £250 for distress and inconvenience. I think this is sufficient and that means I do not believe he should be compensated for any possible loss in value."

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.

Mr A has accepted my decision as has Admiral after obtaining clarification about the interest element of the redress. I can confirm that Admiral should pay 8% on £17,000 from the date Mr A bought his replacement car until he sold the old one.

Putting things right

Admiral should pay Mr A interest for the loss of use of his money and compensation for the distress and inconvenience he suffered.

My final decision

My final decision is that I uphold this complaint and I direct Admiral Financial Services Ltd to pay Mr A compensation of £250 and annual interest at 8% simple on £17,000 from the date Mr A bought his replacement car until he sold the old one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 20 December 2022.

Ivor Graham
Ombudsman