

The complaint

Mr W complains Startline Motor Finance Limited (Startline) haven't fairly applied his partial early settlement payments to his car finance agreement. He believes he has lost out financially as a result.

What happened

In October 2021, Mr W entered into a 60 month hire purchase agreement for a used car. The car's cash price was £5,938. The total amount payable under the agreement was £9,097. He was required to make monthly payments of around £150.

Mr W says around October 2022, he contacted Startline to say he wanted to make a partial early settlement (PES) but he was told their system wasn't working. He said in subsequent months when he made the same request, he was told a similar thing which caused him upset and frustration. He believes this has caused him financial detriment as he's ended up paying more than he should in terms of interest.

According to Mr W after unsuccessful attempts to request PES quotations, he noticed he could make payments via Startline's online account portal. In February 2023, he proceeded to make payments of £650 and £545 by debit card. However he was told by Startline, these couldn't be processed as PES because he hadn't followed the correct process. He complained and also requested a statement of account.

Startline said Mr W hadn't followed the correct process when making the PES payments. However as a gesture of goodwill, they agreed to treat these payments as PES for March 2023. Concerning the request for the statement of account, they accepted he had been told wrong information as to when he should expect to receive it but they confirmed the request had been submitted along with a subject access request.

Unhappy with their response, Mr W referred the complaint to our service. Our investigator said based on the terms of the agreement and the relevant law (section 94 of the Consumer Credit Act 1974), the process to make PES hadn't been followed by Mr W.

Mr W disagreed and maintained his position. He also commented:

- He contacted Startline in October, December and January to request a PES quotation but he was told there was a system error. Meaning the delay caused him to pay more in interest and charges;
- He is autistic but Startline didn't take this into consideration when investigating matters and he feels he's been discriminated against;
- He asked Startline on the correct process to make a PES but he received no response. He considered this to be a reasonable adjustment request given his autism;
- He's made subsequent payments in May 2023 but these haven't been applied as PES and he questions the overall amount to be paid under the agreement;
- He made several additional payments but questions why they hadn't been processed altogether as PES;

- Startline are causing delays in processing the PES payments (up to two months), meaning he is unable to make them as regularly as he wants;
- He believes the outstanding balance is higher than it should be. He was told this was due to interest and fees applied by the broker but he wasn't told about this;
- The situation had caused him a lot of anxiety and stress and he seeks £10,000 compensation from Startline.

Following Mr W's further response, the investigator reviewed matters. He said it was unclear when and why Startline had issues generating the PES quotes but the delay meant Mr W had paid more in interest and charges. He also said Startline should've been more clear to Mr W about the correct process to make a PES including only one could be made within a 28 day period. He recommended Startline pay £100 compensation to Mr W.

Startline agreed. Mr W disagreed and maintained his position.

Mr W settled the agreement in full in July 2023.

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 intend to partially uphold Mr W's complaint. I will explain why.

The relevant law that applies to early repayments is set out in section 94 of the Consumer Credit Act 1974 (CCA). So I've taken this into account when looking at this complaint. I've also referred to the terms of the agreement. It says:

“On giving us notice in writing or orally, in the manner set out on the front pages, you may at any time either repay in full the whole amount due under this Agreement; or repay part of the amount due under this Agreement by telling us the amount you want to repay. If you do not give us notice under this Condition but make an overpayment, we may treat that overpayment as notice by you of a partial repayment, but it shall be in our discretion whether we do so or not.

On making any repayment under Condition 12.1 you will have a right to a rebate under the CCA which we shall calculate in accordance with the CCA (and we can then claim additional interest as permitted by the CCA)”.

It also goes on to say:

“If you only make partial repayment, we will apply that repayment to reduce your future Repayments. But you may ask us instead to keep the Repayments the same but reduce the Duration of the Agreement. Upon receiving such request, we will, in our absolute discretion, decide whether to do this or not”

Having read the terms in full, it's clear Mr W can make early repayments such as a PES but he must give Startline notice of his intention to do so. Such notice must be given in writing or by calling them and the payment must be by cheque or bank transfer. Mr W signed this agreement in October 2021 so I can't say he wasn't made aware of the same.

Unfortunately I haven't been provided with the call recordings so I've relied on Startline's call notes. I can see Mr W contacted them in October 2022. The call note says “Cust called to

confirm online ID number - advised of PES and ESF options - customer still considering". This suggests Mr W made queries about making early settlement payments and the two options were outlined to him (partial and full settlement). In light of the same, I'm not persuaded Mr W gave the required notice during that call for his intention to make a PES, it seems he was considering his options. So I can't say he was told the system wasn't working during that call.

Mr W says he made a further call in December 2022 but Startline's call notes don't show such a call. However I can see one was made in February 2023, it says:

"Cust called about making PES - apologised to cust for PES not working at the moment so unable to advise how much DDs would reduce by. Confirmed how PES process works and when DD will be reduced from next month onward when bank transfer is made in time before DD this month is due. SQ created, verbally confirmed and emailed to cust as agreed to provide our bank details for cust to make bank transfer for PES. Ad he will be contacted to check the bank transfer is for a PES and provided cust with details allowing him to register for online portal".

Based on this call note, it was at this point Startline advised their system wasn't working so they couldn't say how much the monthly payments would reduce by following a PES being made. However it doesn't seem this would've stopped Mr W from making such a payment, the process was outlined to him including the need to pay by bank transfer. There is a suggestion an email was sent to him outlining the details but I haven't seen a copy of the same and the contact notes don't show one was sent. On balance, I'm not persuaded this email was sent by Startline which may explain why Mr W decided to make a payment of £650 via the online portal on 8 February 2023. On balance had the email been received, I find Mr W would've followed the instruction.

There are several calls thereafter but I note during the call on 7 March 2023, Mr W expressed his unhappiness about the above payment not being applied to the account as a PES. He confirmed he had made another payment of £545 on 21 February 2023. Based on the notes, Startline's advisor outlined the PES process and advised him not to make any further payments until his two earlier ones had been dealt with. I consider that to be fair and they were clear in their instruction.

Despite this, Mr W went on to make another payment for £100 on 7 March 2023. Overall I find both parties contributed to the confusion. On the face of it, Startline failed to send an email to provide Mr W with the bank account details for the PES to be paid and out of frustration of the delay and the lack of communication, Mr W made overpayments (£650, £545 and £100 respectively). To resolve matters and as a gesture of goodwill, Startline agreed to total up all three payments (£1295) and apply them as a PES in March 2023. Given the situation, I consider this a fair course of action. In line with the relevant law and terms, rebate was applied to the account thereby reducing the balance.

On 8 March 2023, Mr W contacted Startline to say he intended to make a PES of £500. I note this was within a day or two of the last overpayment and the conversation with Startline where they asked him not to make any further overpayments until they had dealt with those already made. Startline has said only one PES can be processed in a month and given the administration in doing so, I don't find this wholly unreasonable.

Based on the account statement, I can see the £500 payment and others made thereafter were applied as PES and Mr W went on to settle the agreement in full in July 2023. Overall, I'm satisfied Startline applied the PES in line with their terms and rebate applied. I don't agree they unnecessarily delayed in processing them. So I can't say they did anything wrong, the process was outlined to Mr W on more than one occasion.

Based on the extent of the communication between Mr W and Startline, it's clear he was keen and in the financial position to settle the agreement early and to make several PES in order to do so. I note he asked for the statement of account in early February 2023 so he could see what had been paid and what was left to be paid. As the information wasn't forthcoming, he felt he had no alternative but to make a subject access request to receive it. He believes this was an unnecessary step and I agree with him. I find his request for the statement of account a fair one and I would expect it to be provided in a reasonable period of time but that didn't happen so I can understand his frustration and upset. It took around a month to receive it.

Other

I can see Mr W has told our service he is unhappy with other issues related to the total amount he had to pay and he believes they discriminated against him due to his autism. However based on what I've seen, he didn't raise these issues to Startline when he raised this complaint meaning they haven't had the opportunity to investigate them. Therefore I won't be addressing these concerns in this decision. Mr W would have to raise this as a separate complaint with Startline should he wish to do so.

Summary

Taking everything into account, I'm satisfied Startline acted fairly and in line with their terms in relation to PES payments made by Mr W. It follows, I don't agree he has been caused financial detriment. However for the delays in providing his statement of account and overall level of service, I agree with the investigator they should pay £100 compensation to Mr W for the trouble and upset caused.

My final decision

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

To put things right, Startline Motor Finance Limited should pay £100 compensation to Mr W for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 December 2023.

Simona Reese
Ombudsman