

The complaint

Mr M complains about how Vauxhall Finance plc dealt with him when he was unable to afford the balloon payment at the end of his finance agreement.

What happened

In March 2018 Mr M acquired a new car under a regulated conditional sale agreement with Vauxhall Finance. The term of the agreement was four years. At the end of the term, the balloon payment was £4,441, and he couldn't afford it; he was also in arrears. He asked to refinance the balloon payment, and he was given three quotes for a new loan, one of which was for £142.22 a month for 36 months. However, he was told at the same time that he would first need to clear arrears of £170.98 in fees and interest. Mr M paid that, but he was then told that he could not have the loan. Later, his account was defaulted and his agreement was terminated.

Mr M complains that he was fraudulently induced to pay the £170.98. He says he was not told that his application to refinance his debt would be subject to a credit check. He also complains that he was sent some default notices too frequently; that his account was sent to a third party debt collection agency without telling him; and that the agency made an unannounced home visit, which caused him stress because his autism makes it difficult to deal with new people. He asked for Vauxhall Finance to accept payments of £142.22 a month, as this is what Vauxhall had offered him earlier, or alternatively to waive the entire outstanding debt.

Vauxhall Finance said it had done nothing wrong. It had sent Mr M many letters – including two saying that his account would be sent to a collections agency if he did not get in touch – but Mr M had never replied, so it had been left with no choice but to do that. He had not qualified for the refinance loan, due to the information on his credit file. Mr M therefore brought this complaint to our service.

One of our investigators looked into this account, but he did not uphold most of it. He agreed that Vauxhall Finance had been entitled to send the account to a collections agency, and that it had warned Mr M of its intention to do so. It had been entitled to send arrears letters and default notices. The investigator said that Vauxhall Finance had been obliged to do a credit check before deciding whether to refinance Mr M's debt, because otherwise there was a risk of selling him a loan he could not afford, and getting him into even further debt (since the quote was for an interest-bearing loan).

There was however one issue which led the investigator to uphold Mr M's complaint in part. He thought that Mr M was a vulnerable customer (due to his autism and also some health issues), and that Vauxhall Finance had not done enough to meet his needs, in two ways. Firstly, he thought that Vauxhall Finance should have told the debt collection agency about Mr M's vulnerability, and that if that had happened then the agency would not have tried to carry out a home visit. Secondly, when the agency had sent Mr M a letter before action and he had asked for a second extension to the deadline to respond to it before legal proceedings were issued, the agency had consulted Vauxhall Finance about what to do, and the answer had been to refuse. The investigator thought that a second extension should

have been granted.

The investigator recommended that Vauxhall Finance pay Mr M £100 as compensation for those issues. Vauxhall Finance agreed. But Mr M said this was not enough. He re-iterated the points he had made before, and emphasised that he needed an affordable repayment plan, or the debt written off. So this case was referred for an ombudsman's decision.

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 outcome reached by the investigator, although for slightly different reasons.

I agree with most of what the investigator said. Mr M was not defrauded of £170.98; this was money he already owed to Vauxhall Finance and he was under an obligation to pay it back. But paying that money was not a guarantee that the loan he was applying for would then be granted. Like all lenders, Vauxhall Finance had a duty to check that he could afford it, so it had to carry out a credit check. The result was that it found he had had two county court judgements against him for unpaid debt, as well as other negative information that led Vauxhall Finance to conclude that he could not afford another loan. That was a decision it was entitled to make.

I have seen the letters Vauxhall Finance wrote to Mr M. It set out a number of alternative options that he could consider. But ultimately, I don't think it was realistic for Mr M to be able to keep the car when he could not afford the balloon payment. Vauxhall Finance suggested that he end the agreement and return the car instead, an option which would only have required him to repay £270. I realise that he didn't want to do that, but I think he could have afforded to; if he could not pay £270 all at once then I'm sure that Vauxhall Finance would have agreed to a repayment plan, such as paying it over two months.

I've seen two letters in which Vauxhall Finance told Mr M that it would transfer his account to a collections agent if he didn't get in touch. Those letters are dated 21 September 2022 and 26 January 2023. So I'm satisfied that this did not happen without warning. And the other default letters and notices of sums in arrears were letters which Vauxhall Finance was required to send under financial regulations.

I don't agree that Vauxhall Finance needed to agree to a further extension of the deadline to respond to the letter before action. One extension had already been granted, and Vauxhall Finance's message to the agency responding to the second extension request says that it had considered Mr M's vulnerability when making the decision. I don't think that was a failure or error on Vauxhall Finance's part.

I do however agree with my colleague's conclusion that if Vauxhall Finance had told the agency about Mr M's autism then the agency might not have carried out a home visit unannounced. I think that £100 is fair compensation for that issue, given that Mr M was out at the time, so he didn't actually have to deal with a visit; he just came home to a note saying that someone had called while he was out.

My final decision

My decision is that I uphold this complaint in part, and I order Vauxhall Finance plc to pay Mr M £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 November 2023. But apart from that, this final decision brings this case to an end, and so we will not consider any further arguments from either party.

Richard Wood
Ombudsman