

The complaint

Mrs Q complains that STARTLINE MOTOR FINANCE LIMITED (“Startline”) contacted her saying they would recover the vehicle that she had acquired using a hire purchase agreement with them. Mrs Q says this caused unnecessary stress and alarm as she was in an agreed payment arrangement at the time.

What happened

Mrs Q entered into a hire purchase agreement with Startline in 2020 to finance a vehicle.

On 10 July 2023, Startline sent Mrs Q a default notice saying she had to pay arrears of £490.99. The notice said that Startline would withdraw their consent to Mrs Q’s possession of the vehicle and would recover it as well as terminate the finance agreement if the arrears weren’t paid by 28 July 2023.

On 29 July 2023, Startline sent Mrs Q a letter saying the agreement had been terminated because she hadn’t complied with the terms of the default notice. The letter also said that Mrs Q had to contact them to arrange for the vehicle to be collected.

Mrs Q complained to Startline. She said it wasn’t appropriate for them to contact her in this way as she was up to date on a payment arrangement that had been agreed on 30 June 2023.

Startline responded to Mrs Q’s complaint on 8 September 2023, saying that the letters they’d sent were in line with the *‘legal contractual agreement Terms and Conditions having been breached’*.

Mrs Q then referred her complaint to our service. One of our investigators looked into what happened and said that Startline acted too swiftly in issuing a default notice and terminating the agreement, when Mrs Q was only two months behind in her repayments. She recommended that Startline pay Mrs Q £100 for the distress and inconvenience their letters had caused her and that they should remove the default they’d recorded on Mrs Q’s credit file.

Startline didn’t agree. They said they didn’t apply a default to Mrs Q’s credit file and were required to accurately record late and missed payments. Startline also said that Mrs Q’s account was ‘terminated technically’ but she wouldn’t need to hand the vehicle back if she maintained the payment arrangement. And they said the termination letter had been sent correctly because Mrs Q hadn’t satisfied the requirements of the default notice.

As the matter remains unresolved, Mrs Q’s complaint has been passed to me for a 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.

Since this complaint was referred to me, Startline has sent us a copy of a letter they sent to

Mrs Q on 14 August 2023. This states the following:

'Having reviewed the notes on your account, I can see that the termination letter should have been suppressed following the implementation of your payment plan on 30 June 2023, however this was not correctly actioned on our systems.'

Startline understand the distress this letter would have caused, especially as it mentions repossession of the vehicle when you have actively taken steps to avoid this following.

Considering the impact of our error, I will be issuing a £50.00 distress and inconvenience payment to you as a way of apology for our failure in this instance'.

It seems to me that Startline accepted they made an error in sending Mrs Q the termination notice so I'm unsure why they've then said the opposite to her in their response to her complaint in September 2023, and then subsequently to us. If Startline has changed their mind on this, they haven't made that clear to us, or why that is.

For the avoidance of doubt though, I don't think it was appropriate for Startline to have sent Mrs Q the termination notice when she was in an agreed repayment plan. I accept that Startline has a regulatory obligation to send arrears notices and to accurately record payment information for the hire purchase agreement with credit reference agencies. But I'm not aware of any similar obligation for them to send a termination notice when an agreed repayment plan is being adhered to. And Startline in their letter of August 2023 stated that they could and should have suppressed this letter.

Having considered the matter, I find that Mrs Q was caused undue distress and inconvenienced by the termination letter. I think a payment to recognise this is warranted as a result.

However, it doesn't appear that Startline has recorded a default on Mrs Q's credit file in relation to this hire purchase agreement, and they've said this to me recently when I asked them about this. So, I won't be recommending that they remove any information from the credit file.

If Mrs Q subsequently learns that a default has been recorded, she can raise that as a separate complaint to Startline, and potentially to us subsequently.

Putting things right

Startline should pay Mrs Q a total of £100 for the distress and inconvenience she's been caused.

If Startline has already paid the £50 they referred to in their letter of August 2023, then they will need to pay a further £50.

My final decision

I uphold this complaint and direct STARTLINE MOTOR FINANCE LIMITED to take the action I've set out in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Q to accept or reject my decision before 30 October 2024.

Daniel Picken
Ombudsman