

## **The complaint**

Mr C complains about a car he acquired under a hire purchase agreement with Creation Financial Services Limited ("Creation").

## **What happened**

In January 2022, Mr C entered into a regulated hire purchase agreement ("the agreement") with Creation to acquire a used car. The car had a cash price of £21,699, and he was to pay interest of £7,388. The term of the agreement was five years. Mr C paid an advance payment of £500,<sup>1</sup> and the balance was to be paid in 59 monthly payments of £484.70.

It is not in dispute that the car was not of unsatisfactory quality when it was delivered to Mr C, and that due to its faults Mr C has been unable to drive it since June 2022.

In June 2023, one of our investigators decided that the fairest way to resolve this complaint was to allow Mr C to reject the car, since the car is now mouldy due to water ingress and is unsafe to drive, and Mr C had been waiting a year for it to be repaired. So the investigator recommended that the agreement should be unwound from June 2022, and that any adverse data be removed from Mr C's credit file. He also said that Creation should pay Mr C £250 for his inconvenience.

Both parties accepted the investigator's opinion in writing.

However, by January 2024 Creation had still not complied with the agreed settlement. Meanwhile, Mr C had no longer been able to continue keeping the car on his property, and had begun paying for it to be kept in storage from September 2023, at a cost to him of £216 a month. So the investigator re-opened this case and issued a second opinion, in which he said that Creation should refund those storage costs, with interest. He also increased the £250 compensation for Mr C's inconvenience to £400.

Creation replied to say that it did not disagree with the revised award in principle, but it questioned some conflicting information it had been given about whether the car was still in storage or not. The investigator clarified that the car was still in storage, and that Mr C was still paying for that.

In February 2024, Creation still not having paid the recommended compensation, the investigator referred this complaint 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 investigator's findings and with his proposed redress. (Since neither party has challenged them, I have not felt it necessary to expound on my

---

<sup>1</sup> The agreement says £5, but it is now agreed that that is an error.

reasons; instead I gratefully adopt the investigator's reasoning.) So I will issue a decision in the same terms.

But for completeness, I will add that I have seen evidence that Mr C did continue to make monthly payments of £216 for storage in November and December 2023.

### **My final decision**

My decision is that I uphold this complaint. I order Creation Financial Services Limited to:

- End the agreement with nothing further to pay;
- Collect the car at no further cost to Mr C;
- Remove any adverse information from Mr C's credit file in relation to this agreement;
- Refund Mr C's deposit of £500;
- Refund Mr C all of the monthly rental payments he made for the period from 23 June 2022 to November 2022 (when he stopped making payments);
- Refund all six storage rentals that Mr C has paid in relation to the car so far, from 1 September 2023 to 1 February 2024 (these are £216 each);
- Refund any further storage rental payments which Mr C pays up to the date the car is collected;
- Pay Mr C simple interest at 8% a year on all refunded amounts from 23 June 2022 until the date of settlement; and
- Pay Mr C a further £400 for his distress and inconvenience.

Creation must pay the compensation within 28 days of the date on which we tell it that Mr C has accepted my final decision. If it pays later than this, then it must also pay simple interest on the entire amount of unpaid compensation at 8% a year from the date of my final decision (see page 1) to the date of settlement.

If Creation considers that it is required by HM Revenue & Customs to withhold income tax from that interest, then it must tell Mr C how much it's taken off. It should also give Mr C a tax deduction certificate if he asks for one, so he can reclaim the tax from HMRC if appropriate. Mr C should refer back to Creation if he is unsure of the approach it has taken, and both parties should contact HMRC if they want to know more about the tax treatment of this portion of the compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 March 2024.

Richard Wood  
**Ombudsman**