

## **The complaint**

Mr T complains that MotoNovo Finance Limited continued to charge him after he voluntarily terminated his hire purchase agreement.

## **What happened**

In May 2021 Mr T entered into a regulated hire purchase agreement with MotoNovo in relation to a used motorbike. The term of the agreement was 49 months, but in May 2023 Mr T fell into financial difficulty, and he contacted MotoNovo about voluntarily terminating the agreement. His complaint is that his request was not carried out immediately. His account was not closed until October 2023, and during those intervening five months his account went into arrears. Five months' arrears were reported on his credit file.

Mr T says this is the only negative data on his credit file, and it will prevent him from buying a home. He complained about that. He also complained that he was given vague collection times for the bike, and that he was charged for damage, for a missing V5 document, and for not taxing the bike.

MotoNovo agreed that Mr T had contacted it by phone in May 2023 to discuss voluntary termination and obtain a settlement figure, but it said that he had not actually asked for termination to proceed until June. Meanwhile he had missed his payments for May and June.

MotoNovo said that it had attempted to arrange collection of the bike, but Mr T had kept cancelling and asking to reschedule. It was finally collected in August, but without the V5, so MotoNovo had charged him £235 for that. He had also retained his personal plate; MotoNovo told him that he needed to either return it or notify the DVLA that he was keeping it. Since he did neither, MotoNovo had been unable to sell the car until October. Meanwhile, arrears had continued to accumulate, which MotoNovo accepted should not have happened, and apologised for. MotoNovo agreed to remove the arrears from July from Mr T's credit file, but it maintained that the arrears reported for May and June were accurate, and so it would not remove them. It also apologised for having given him the wrong arrears figure. It paid him £125 in compensation.

MotoNovo said it had not charged him anything for damage. It said the other charges were justified and it would not waive them. Being dissatisfied with that response, Mr T brought this complaint to our service. He asked for more compensation for the damage to his credit file. He also said that he had felt "blackmailed" by the demands for his V5 and personal plate.

Our investigator recommended that MotoNovo pay Mr T a further £100 for having reported the wrong amount of arrears on his credit file for five months. But she did not think MotoNovo needed to do anything else. She said Mr T had not instructed it to voluntarily terminate the agreement in May, and so the arrears reported for May and June were accurate. She also took into account that there was no evidence that Mr T had applied for a mortgage or any other credit during the five month period.

(She added that although the current balance was currently being reported as nil on Mr T's credit file, the actual balance was £3,188:56, and Mr T still owed that, regardless of what his credit file said.)

MotoNovo agreed to pay another £100. Mr T said that £100 was not enough. The 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.

It is not in dispute that MotoNovo should not have continued to record arrears on Mr T's credit file after he terminated the agreement in June. So I only need to consider how much compensation is needed to put things right.

Having done so, I agree with the investigator that a total of £225 compensation is fair. In coming to that conclusion, I have taken into account that fact that the arrears which should not have been recorded (and which have since been removed) do not appear to have actually prevented Mr T from buying a house. There is no evidence that a mortgage application was denied as a result, nor that such an application was granted on less favourable terms than could have been obtained otherwise. Nor have I seen evidence that an application was made for a mortgage or for any other loan.

Mr T has pointed out that his credit score is still lower than it used to be, and that the missed payments that are still being reported will remain on his credit file for some time. But that does not mean that MotoNovo has done anything wrong. Although Mr T discussed voluntary termination in May and obtained a settlement figure, he didn't actually go as far as to instruct MotoNovo to proceed (he said he'd call back to discuss it further), so the agreement continued in force. Therefore his monthly payments were still due. When the May and June payments were missed, MotoNovo was obliged to report them, and it still has to.

I don't think the other issues in this case are still in dispute, but just in case I am wrong about that, I will deal with them briefly. MotoNovo was entitled to charge Mr T for the V5 and the personal plate, and I don't think it was unreasonable of MotoNovo to ask for them. I've not seen evidence that he was charged for any damage. MotoNovo's contact notes indicate that arranging a mutually convenient time for collection of the bike proved to be difficult, and I don't think that MotoNovo acted unreasonably in that regard.

### **My final decision**

My decision is that I uphold this complaint in part. I order MotoNovo Finance Limited to pay Mr H £100 (in addition to the £125 it has paid him already).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 19 November 2024.

Richard Wood  
**Ombudsman**