

The complaint

Miss C complains that Startline Motor Finance Limited ('Startline') caused her distress and harassment when it chased for payments due under her car finance agreement, despite having made an agreement allowing her to make her monthly payments manually.

What happened

Miss C took out a hire purchase agreement with Startline in February 2023.

Miss C incurred returned direct debit payments shown on her account for March, June and July 2023. This led to Miss C and Startline agreeing that from August 2023 she could make her monthly payment manually by contacting Startline, rather than using the direct debit process. Miss C then cancelled her direct debit arrangement.

Startline, however, continued to add returned payment fees to Miss C's account and to chase by various means for what it wrongly took to be correct evidence from its systems of outstanding arrears building up on her account. This led to further charges being added to her account.

Miss C says she felt harassed by the constant communications that were being sent to her seeking payment and advising her of charges – even though she was meeting the monthly payments required under the terms of the agreement. She has explained to our senior investigator how this had a detrimental impact on her health as well as her student studies.

After Miss C complained to Startline at the end of January 2024, it agreed it had made a mistake. It said its systems hadn't been updated to show that she was making payments under the agreement by a method other than direct debit. This caused fees to be wrongly applied. It then refunded all the fees that had been added up to March 2024.

In view of the distress and inconvenience caused to Miss C by Startline's error, our senior investigator made an award of £500. Startline says that level of compensation isn't warranted. But it has agreed to remove all further fees added to the account.

The complaint has therefore 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.

Startline has accepted that although it agreed that Miss C could make her payments under the agreement by paying them manually, it failed to properly amend its systems and records to ensure that fees weren't added in error.

I am pleased to note that Startline has now refunded all of the fees and charges relating to the dishonour fees arising from not receiving payments by direct debit that were added as well as fees charged for sending out letters about arrears. But the issue I need to consider is

whether level of compensation awarded by our senior investigator for the distress and inconvenience Miss C has suffered is fair and reasonable. I think it is and I will explain why.

I accept that Startline had an obligation to contact Miss C when it had verifiable evidence that she was in arrears. But, after Miss C had agreed that she could make her monthly payments manually, going forwards from August 2023, Startline continued to contact her, by way of calls, texts and emails. I think that's a real concern and I can see how this would have been a source of worry and upset to Miss C. Startline has confirmed to us that it contacted Miss C around 15 times by phone and that Miss C has called in to them around 5 times. I've also seen that between August 2023 and March 2024 Miss C received around 40 text message and a large number of emails from Startline.

The position therefore remains that, despite having reached agreement with Startline to make payments manually each month, Miss C continued to be chased by Startline for payment through several communications channels. I think it was reasonable for Miss C to expect that this would all stop once she started making her payments manually. Even allowing for the fact that I've seen that payments were late by a day or two on three occasions - in March and August 2023 as well as March 2024 - I don't think this materially changes the position that for the most part Miss C was keeping to the payment schedule required by the hire purchase agreement. And whilst it is fair and appropriate that Startline has refunded all the fees Miss C has been charged, these are fees which ought not to have been charged in the first place.

The contact notes show Miss C was unhappy that she was put in a position where she had to repeatedly contact Startline to ask it to deal with the calls, emails and text messages she was continuing to receive. It is understandable that her level of frustration and upset came across during these calls to Startline. Our senior investigator has noted from his telephone discussions with Miss C that these events have caused her extreme upset and distress over a protracted period, whilst also having a detrimental impact on her studies. I consider the cumulative effect on Miss C's health of Startline allowing its error to continue over a period spanning many months means that compensation of £500 is fair and reasonable in all the circumstances of this complaint.

Putting things right – what Startline needs to do

I therefore think it's fair and reasonable that Startline pays Miss C compensation of £500 for the distress and inconvenience it has caused her. I think this sum represents fair compensation for what happened, based on the evidence and information I've seen.

My final decision

For the reasons I've given above, I uphold Miss C's complaint and make an award in her favour of £500 that Startline Motor Finance Limited must pay her for distress and inconvenience as a result of what happened.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 4 October 2024.

Michael Goldberg

Ombudsman