

## **The complaint**

Mr B complains about the amount that he's been charged by Moneybarn No. 1 Limited when it terminated the conditional sale agreement under which a car had been supplied to him.

## **What happened**

A used car was supplied to Mr B under a conditional sale agreement with Moneybarn that he electronically signed in April 2021. The price of the car was £7,695, Mr B made an advance payment of £260 and he agreed to make 59 monthly payments of £249.99 to Moneybarn. There were some issues with the car which were repaired by the dealer. Mr B didn't make all of the payments under the agreement when they became due and the agreement was terminated by Moneybarn in January 2022. The car was then sold at auction and the proceeds of sale were applied to Mr B's account. Moneybarn notified him in May 2022 that the final balance on his account was £9,163.44, but it would accept the then current settlement figure of £4,712.62.

Mr B didn't make a payment to Moneybarn and he complained to it in February 2024 about his account. Moneybarn responded to his complaint in April 2024 and said that Mr B disagreed with the outstanding balance owed on the agreement and asserted that the car was never fit for purpose. It said that it was unable to uphold his complaint as it couldn't agree that it had acted unfairly. Mr B wasn't satisfied with its response so complained to this service.

His complaint was looked at by one of this service's investigators who, having considered everything, didn't think that the outstanding balance being pursued was correct. He recommended that Moneybarn should recalculate the final billing letter, applying the correct rebate in line with the Consumer Credit Act 1974 using the date of repossession as the date of termination and correct Mr B's credit file to reflect only the correct amount outstanding. He then recommended that it should reduce the amount that Mr B owes by applying an interest rebate to the proceeds of sale of £4,950, which he said should be calculated in accordance with the early settlement regulations.

Moneybarn didn't accept the investigator's revised recommendation and has asked for this complaint to be considered by an ombudsman. It says that the treatment of Mr B's agreement has fully complied with the associated legislation and can't agree that his revised recommendation is appropriate. It says that as Mr B's agreement has been terminated, an interest rebate will be available for him based on the full settlement of the outstanding amount but the rebate would be for a small amount due to the passage of time.

## **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.

Mr B made two complaints to Moneybarn about the car in 2021 but they were resolved and he didn't complain to this service about those issues. As more than six months has passed since Moneybarn issued its final responses on those complaints, I'm unable to consider the

issues raised in those complaints in this decision.

The conditional sale agreement says that if the agreement is terminated by Moneybarn, it will be entitled to immediate payment of the rest of the total amount payable under the agreement less: *“A rebate for early settlement as required by law, which will be calculated and notified to you at the time of payment; and the proceeds of sale of the goods ...”*.

The total amount payable under the agreement was £15,009.41 and the account balance when the agreement was terminated by Moneybarn in January 2022 was £13,774.44. The car was then sold at auction and the proceeds of sale of £4,950 were applied to Mr B's account. A refurbishment fee of £25, an auction fee of £14 and a recovery agent's fee of £300 were added to the account giving a final balance of £9,163.44. Moneybarn notified Mr B in May 2022 that it would accept the then current settlement figure of £4,712.62, but it said that the settlement figure would increase over time. Mr B hasn't made any further payment to Moneybarn.

Moneybarn provided a statement of account for Mr M's agreement in May 2024. It shows that the balance on the account at that time was £9,163.44 and it says: *“You can settle this agreement in full at any time by giving us notice and paying off the amount you owe. If you wish to settle early you should contact us for a final settlement figure. You can also settle this agreement in part at any time by giving notice and paying off some of the amount you owe”*.

Moneybarn says that an interest rebate will be available for Mr B based on the full settlement of the outstanding amount but the rebate will be for a small amount due to the passage of time. But Moneybarn received £4,950 from the sale of the car in May 2022 so the amount that is owed by Mr B was reduced by £4,950 in May 2022 yet Moneybarn is continuing to charge him the full amount of interest that was set out in the conditional sale agreement and it hasn't reduced the amount of interest to take account of the payment of £4,950 that it received in May 2022. I don't consider that to be fair or reasonable.

I consider that it would be fair and reasonable in these circumstances for Moneybarn to reduce the amount that Mr B owes it by applying an interest rebate, calculated in accordance with the Consumer Credit (Early Settlement) Regulations 2004, to the payment of £4,950 that was credited to Mr B's account in May 2022. Moneybarn should then notify Mr B of the amount outstanding. I'm not persuaded that it would be fair or reasonable for me to require Moneybarn to take any other action in response to Mr B's complaint.

I suggest that Mr B contacts Moneybarn after he receives notification from it of the amount outstanding to discuss his options for paying that amount to it and he should also explain his financial situation to it. It's required to respond to any financial difficulties that he's experiencing positively and sympathetically.

### **Putting things right**

I find that it would be fair and reasonable in these circumstances for Moneybarn to take the action described above and as also set out below.

### **My final decision**

My decision is that I uphold Mr B's complaint and I order Moneybarn No. 1 Limited to reduce the amount that Mr B owes it by applying an interest rebate to the sale proceeds of £4,950 that it received in May 2022 in accordance with the regulations referred to above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 14 April 2025.

Jarrold Hastings  
**Ombudsman**