

The complaint

Miss S complains about the sale of a finance agreement she took out with CA AUTO FINANCE UK LTD ('CA').

What happened

The parties are familiar with the background details of this complaint – so I will briefly summarise them here. It reflects my role resolving disputes with minimum formality.

In June 2023 Miss S took out a finance agreement for a car ('Agreement A') with CA. Miss S says she took out Agreement A so she could trade in another car she had on finance which she says was not suitable for her.

Miss S requested a settlement figure for Agreement A around May 2024 in respect of Voluntary Termination of the agreement. She said she only realised at this stage that negative equity of £6,587.32 had been carried over from her prior finance agreement into Agreement A.

Miss S complains that nobody from the dealer ('the broker') explained negative equity would be added to Agreement A when she took it out.

CA did not uphold the complaint. And considered the point of sale information Miss S had been provided was sufficiently clear about the negative equity. Our investigator agreed.

Miss S has asked for the complaint to be escalated to an ombudsman to consider for a final decision. So the matter has now come to me.

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.

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

In considering what is fair I note that Section 56 of the Consumer Credit Act 1974 makes CA responsible for what is said by the broker when arranging the finance agreement.

I note that in her complaint form Miss S has referred to issues with previous finance agreements and the circumstances around her taking on cars other than those financed by Agreement A. However, here I am only dealing with her complaint to CA concerning the sale of Agreement A. If Miss S is unhappy with the circumstances around the sale of any other finance agreements she can potentially complain about these separately.

I don't know for sure what conversation took place between the broker and Miss S during the sale of Agreement A. And I don't appear to have detailed testimony from the salesperson who arranged the deal. However, I don't consider this is necessary here. I am persuaded from what Miss S has said that the claim centres on information Miss S says the broker didn't tell her, rather than false information it gave about the finance arrangements. So I don't think further testimony from the broker is material to a fair outcome here.

In deciding what is fair in the particular circumstances here I have placed most weight on the sales documentation which Miss S signed and agreed to. Here I note it is clearly set out in the finance agreement which Miss S signed that the total amount payable (£26,997.44) is made of the cash price for the car (£14,250), negative equity (£6,587.32), and interest (£6,160.12). It is also set out in the pre-contractual information document and signed 'agreement summary' that the total amount payable includes negative equity of £6,160.12.

After considering the documentation from the point of sale I consider it would be clear that Miss S was carrying negative equity into Agreement A. It is mentioned prominently and transparently in several pieces of sales documentation – including those that Miss S signed.

Furthermore, even if Miss S was unsure at the time about what negative equity was, there is no suggestion that at the time she did not understand what the total amount payable was under the finance she agreed. This was clearly significantly more than the cash price of the car she was financing. So, if she was concerned or unsure about this she could have fairly made enquiries at the time – but there is no persuasive evidence she did so.

Miss S has recently indicated that she was not given sufficient time to read and agree the terms but there is no persuasive evidence that Miss S was prevented from checking over the documentation. And had she not been given sufficient opportunity or pressured to sign without reading I expect she would have raised this nearer the time. I also note that Miss S provided the broker with an email specifically confirming that the pre-sales documentation has been explained to her in full. Had she felt otherwise I expect she would likely not have provided this confirmation.

Miss S has also recently said the broker led her to believe that her agreement was largely the same as the last one – the only difference being price. If this were true it would still indicate that Miss S was aware the price of her agreement was changing. And I don't consider it would reasonably prevent her from checking the total price she had agreed to pay via the finance agreement (which included the negative equity). Even a cursory glance at the paperwork would have revealed this amount.

I also note Miss S has said the car she was in before Agreement A was not suitable for her needs. So it seems she had to find something else at the time. Meanwhile the negative equity she owed relating to that car would always need to be paid back by Miss S regardless of whether she entered into Agreement A or some other finance deal. So even if I found that CA should have explained the negative equity more clearly – it doesn't necessarily follow that there has been a financial loss which it would be fair to refund in any event.

I am sorry to hear about the upset this situation has caused Miss S. However, I am not persuaded that CA (or its broker) has acted in such a way that would mean it is fair and reasonable to ask CA to write off the negative equity or provide other compensation.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 31 July 2025.

Mark Lancod
Ombudsman