

The complaint

Mr C settled his finance agreement early with Moneybarn No. 1 Limited (Moneybarn) and is unhappy with the amount of money they asked him to pay.

When I refer to what Mr C or Moneybarn have said or done, it should also be taken to include things said or done on their behalf.

What happened

In September 2023, Mr C entered into a conditional sale agreement with Moneybarn to acquire a used car first registered in 2015. The cash price of the car was around £13,400. The total charge for credit was £6,282.99 and the total amount payable was around £19,682.99. The term of the agreement was 60 months with monthly instalments of £333.61.

Mr C said he was told that if he pays off his finance agreement early, he will only pay interest on the time period he has the financing in place, so he said he contacted Moneybarn for a settlement figure on 25 September 2023. Mr C said Moneybarn made it very difficult for him to pay the finance and it felt like they were trying to prevent him from paying his finance agreement early. He said they told him he can only make a maximum of £12,500 payment per day, so he paid £12,500 and then few days later on the 29 September 2023 he paid £1,100. But Mr C said that Moneybarn failed to clear his balance and did not apply an interest rebate for weeks. He said he had to call them several times and was given different reasons for the rebate delay.

On 1 November 2023, Mr C said he was charged a further £333.61, even though he had paid more than he borrowed, and he said that Moneybarn still have not cleared his account and refunded the interest they charged him. Mr C said that had Moneybarn applied the rebate correctly, he should only be paying interest from 5 September 2023 to the 25 September 2023. Mr C said he is also unhappy as he kept calling Moneybarn, but the customer service was very poor and even though he was told on many occasions, that the issue will be corrected it still has not been done.

At the beginning of November 2023, Moneybarn responded to Mr C's complaint. In summary, they apologised for any distress and inconvenience caused and apologised for the delay in processing the early settlement. They said there was a delay in their internal process which prevented the generation of the rebate to settle the agreement. In part this was due to the £1,100 additional payment, which was processed as an overpayment of the original partial early settlement figure. In that correspondence, Moneybarn said their finance department have recalculated the early settlement based on the payments Mr C made and, pending the clearance of Mr C's most recent monthly instalment on 1 November 2023, he will have no further financial liabilities to them. Moneybarn also said they will issue £50 to him as an apology due to the delays with completing the settlement of his agreement and because Mr C had to call on multiple occasions to query the status of the rebate.

Towards the end of November 2023, Moneybarn again wrote to Mr C. In that correspondence they apologised for the poor service Mr C has received and said that by way of apology, they would like to offer him £50 for the distress and inconvenience caused.

And, they said, they instructed their finance team to write off any outstanding balance, leaving Mr C with no further liability to Moneybarn.

Mr C was unhappy with Moneybarn's response, so he brought his complaint to Financial Ombudsman Service (Financial Ombudsman).

Our investigator thought that Mr C paid the correct amount in line with the agreement he signed. However, they were of the opinion that Moneybarn should have supported and communicated better with Mr C so they should pay him an additional £50.

Moneybarn accepted the investigator's outcome.

Mr C did not accept the investigator's outcome. So, the complaint has been passed to me to decide.

After reviewing the case, I issued a provisional decision on 14 February 2025. In the provisional decision I said:

“What I’ve provisionally 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.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, the law, and, where appropriate, what would be considered to have been good industry practice at the relevant time.

Mr C acquired the car under a conditional sale agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements.

Mr C has not said directly that the agreement has been misrepresented to him but, as he said, he was told that if he pays off his finance agreement early, he will only pay interest on the period he had the finance in place. Because he is unhappy with how the final settlement figure was calculated, for completeness, I’ve also considered whether the agreement was misrepresented to him.

Section 56 of the Consumer Credit Act 1974 is relevant to this complaint, as this provision has the effect of deeming the supplying dealer and/or broker to be the agent of Moneybarn in any antecedent negotiations. So Moneybarn is responsible for the antecedent negotiations the supplying dealer and/or broker carried out directly with Mr C.

I have listened to one of the call recordings where Mr C asked if there would be any penalties if he pays off the finance in three months’ time. And he was informed that there would not be any penalties. I do not know exactly what was discussed on the other calls between Mr C and the supplying dealership, and/or the broker, when Mr C acquired the car. So, I’ve also taken into consideration what Mr C has told us and I have also considered the documents he signed at the time.

I can see that Mr C signed to indicate he received full copies of the agreement in question plus “Pre-Contract Credit Information” and a document called “Pre-contract explanation of the Conditional Sale Agreement”. The finance agreement that Mr C entered into states that if he repays any amount of the finance agreement early, Moneybarn will charge him an extra amount. This extra amount will be equal to 58 days’ interest. So, taking everything into consideration, I think most likely, the dealership and/or the broker, were trying to explain to Mr C that there would not be penalties, such as extra charges or fees, for settling the

agreement early other than what would be set out in the agreement, or what is required by law.

When a finance agreement is settled early, the law requires the finance company to apply an interest rebate as Moneybarn have done in this situation. A 'rebate' means a rebate of charges for credit included in the total charge for credit. This refers to the interest charges. So, when Mr C settled the agreement, Moneybarn were required to calculate how much of the interest charges due under the agreement he would have to pay. This includes applying a rebate in line with the regulations, and as per the terms and conditions of the agreement in question.

Even if the dealership and/or the broker said he will only pay for interest for the period he had the finance in place, I think Mr C most likely would have seen that his agreement states that Moneybarn will charge him an extra amount - equal to 58 days' interest. So, if the supplying dealership and/or the broker told him something else, I think Mr C most likely would have questioned this at the time. And if Mr C wanted more specifics as to how the settlement figure would be calculated, he most likely did have the opportunity to ask further questions to get this clarified. Maybe the dealership and/or the broker could have been clearer with their explanations when discussing this with Mr C, but I've not seen enough evidence to say that most likely Mr C was misled.

When Mr C settled the agreement, he was not required to pay all the interest under the agreement because he settled it early. Moneybarn was required to apply a rebate in line with the regulations and as per the terms and conditions of the agreement in question. As such, they were allowed to charge Mr C interest for the time the finance agreement was in place plus an extra amount equal to 58 days' interest. So, when Mr C called Moneybarn on 25 September 2023, they gave him an early settlement figure of £13,882.58. This figure was valid until 23 October 2023. I've not seen enough evidence to be able to say that most likely this early settlement figure was not calculated in line with the regulations and as per the terms and conditions of the finance agreement. This means that, provided Mr C paid this amount by the 23 October 2023, he would have not owed anything else. But by that date, Mr C paid a total of only £13,600 (£12,500 on 25 September 2023 and £1,100 few days later on 29 September 2023). Considering Mr C did not pay the full settlement amount, Moneybarn kept charging him interest until the loan was settled in full.

I know Mr C feels he should not be charged further interest, because Moneybarn's payment system did not allow him to make payment in full when he called them initially.

I can see that Mr C was provided with an early settlement quote which indicated that if he paid £13,882.58 by 23 October 2023, his finance agreement would have been settled in full. However, by 23 October 2023 Mr C had paid £13,600 (£12,500 plus £1,100) out of the £13,882.58. As such £282.58 remained to be paid for the loan to be settled by that date.

So, I have considered that on one hand Mr C did know exactly how much and by when, he needed to pay in order to settle his finance agreement in full.

But on the other hand, I've taken into consideration that Moneybarn said that delays in their internal process prevented the generation of the rebate to settle the agreement. And I have also considered the contact notes provided by Moneybarn, as copies of calls were not available. From the contact notes I can see that Mr C kept calling them to get a better understanding of his account status following the £12,500 early payment he made. The contact notes show that there was a lot of confusion as to how long it will take for the rebate to be applied and as to the status of Mr C's account. So, I think overall Moneybarn could have communicated better with Mr C. I think most likely Mr C was not aware that all he needed to do is make another payment of £282.58 before 23 October 2023 to settle his loan

in full. And, I think, had he known this, he most likely would have made that payment to prevent further interest being incurred. This is considering that the next direct debit payment of £333.61 was due only a week later, and this payment was not significantly more money than £282.58, specifically only £51.03 more. Therefore, Moneybarn should refund Mr C the £51.03 extra that he ended up paying and add 8% simple interest per year on that amount from the payment date of 1 November 2023 to the date of settlement.

Considering the contact notes, the contents of the final response letters, and Mr C's testimony, I think the customer service that was provided to Mr C by Moneybarn could have been better. So, I have considered the impact this had on Mr C. Moneybarn offered to pay Mr C £100 (£50 on 2 November 2023 and £50 on 22 November 2023).

Moneybarn have provided us a Statement of Account, which they said highlights that two £50 payments were made to Mr C. But these payments were not made directly to him, and they are recorded as a reduction on this finance agreement which was incorrect, as the early payment rebates were not applied correctly. So Moneybarn should pay the £100 directly to Mr C unless they can show these have been paid to him directly already. Plus, I think it is fair and reasonable that they pay an additional £50 to reflect the distress and inconvenience caused. So, they should pay Mr C a total of £150.

My provisional decision

For the reasons given above, I intend to uphold this complaint and direct Moneybarn No. 1 Limited to

- 1. Refund £51.03 to Mr C and add 8% simple interest per year on that amount from the payment date of 1 November 2023 to the date of settlement;*
- 2. Pay Mr C a total of £150 for the distress and inconvenience caused.*

If Moneybarn No. 1 Limited considers that tax should be deducted from the interest element of my award, they should provide Mr C with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so."

I asked both parties to provide me with any additional comments or information they would like me to consider by 28 February 2025.

Mr C responded and accepted my provisional decision.

Moneybarn responded and said they agree to the settlement that I have proposed.

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.

I've also considered again my provisional findings.

Following my provisional decision, Moneybarn responded and said they agree to the settlement that I have proposed. And they said that one of the £50 referenced within their final response letter was a payment to Mr C and not a reduction in his balance. They provided a statement of account which shows that prior to the entries for the complaint process on 22 November 2023 the agreement balance was at zero, following the write-off and interest rebate. So, they said, in order to facilitate a transfer to Mr C, a credit of £50 was applied to his agreement which was then offset by the processing of the "Sales Ledger Refund". As such, they said that Mr C has already received £50 in compensation and as

such, they believe, to comply with my proposed settlement, only a further £100 is due to be paid to Mr C.

I agree that the statement of account does show that a credit of £50 was applied to Mr C's agreement which was then offset as the agreement balance was at zero, so it maybe that Mr C has already received this £50, and only a further £100 is due to be paid to Mr C. But Moneybarn should double check their systems and ensure that Mr C is directly paid a total of £150 as per my provisional decision.

Considering Mr C and Moneybarn had nothing further to add, I see no reason to reach a different conclusion to what I reached in my provisional decision (copied above).

My final decision

For the reasons given above, and in my provisional decision, I direct Moneybarn No. 1 Limited to

1. Refund £51.03 to Mr C and add 8% simple interest per year on that amount from the payment date of 1 November 2023 to the date of settlement;
2. Pay Mr C a total of £150 for the distress and inconvenience caused if this has not yet been paid.

If Moneybarn No. 1 Limited considers that tax should be deducted from the interest element of my award, they should provide Mr C with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 March 2025.

Mike Kozbial
Ombudsman