

The complaint

Miss K is complaining that Moneybarn No. 1 Limited mis-sold her a conditional sale agreement.

What happened

In January 2021, Miss K entered into a conditional sale agreement with Moneybarn to finance the purchase of a car. The cash price of the car was £5,500, and the agreement required Miss K to make 59 monthly payments of £193.12 each – a total payable of £11,394.08.

In April 2024, Miss K complained to Moneybarn. She said she hadn't been made aware that most of her repayments would go towards interest. And, she said, she'd been told by the dealership that if she made her payments on time for 12 months she'd be able to swap the agreement for a different one.

Moneybarn didn't uphold Miss K's complaint. They said they couldn't comment on what the dealership had advised her. And they said they make the interest rate, total cost of an agreement and Annual Percentage Rate (APR) very clear in all the documents provided to a customer before they sign an agreement. They explained the total interest charge on Miss K's agreement was £5,894.08 and said this was set out on the first page of the agreement. Moneybarn said it was Miss K's responsibility to ensure she understood the terms of the agreement before signing it, and concluded that Miss K had been given all the key financial information she needed.

Miss K was unhappy with Moneybarn's response and brought her complaint to our service. In doing so, she said she was upset about the negative equity position she now found herself in – the early settlement figures they were giving her were far higher than the value of the car.

One of our investigators looked into Miss K's complaint but didn't uphold it. She said whilst she could hold Moneybarn responsible for any negotiations between Miss K and the dealership before the agreement was signed, she didn't think the dealership had guaranteed Miss K would be able to swap the finance agreement after twelve months. And she didn't think Miss K had tried to contact the dealer at the end of the initial twelve months. In respect of the cost of the agreement and the interest payments being too high, our investigator said the agreement gave Miss K enough information about the financial implications of the agreement.

Moneybarn didn't respond to our investigator's view, but Miss K did. She didn't accept the view, saying she thought the dealership had lied to her to encourage her to sign up to the agreement and she only went ahead on the basis the price would drop after twelve months. Miss K also said she had tried to contact the dealership before April 2024 but hasn't been able to get any evidence of that despite raising a subject access request (SAR) to the dealership.

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.

Having done so, and recognising it'll be very disappointing for Miss K, I'm not upholding her complaint. This is for broadly the same reasons as our investigator but I'll explain further below.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Miss K was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

Section 56 of the Consumer Credit Act 1974 has the effect of making the dealership the agent of Moneybarn during the negotiations leading up to Miss K entering into the finance agreement. So I can hold Moneybarn responsible for statements made by the dealership during those negotiations. But I can't hold Moneybarn responsible for any actions of the dealership after the negotiations.

Clarity of the agreement

Miss K's first complaint point is that she wasn't made aware that the majority of her repayments would go towards interest.

I've seen no notes of any conversations between the dealership and Miss K. The email exchange simply says that it's £193 per month for 60 months, and that it includes tax and roadside cover for the first twelve months. So I've looked at the explanation document and the Pre-Contract Credit Information (PCCI) provided to Miss K, as well as the agreement itself.

The specific point Miss K has raised is that she wasn't told that the payments she made would initially go primarily towards paying interest rather than capital, so the value of the car decreased much more quickly than the capital amount outstanding under the agreement. I agree with Miss K that this wasn't made clear to her in the PCCI, the agreement itself, or any other documents given to Miss K. But I don't think it's something Moneybarn needed to make clear. I'll explain why.

The Consumer Credit (Disclosure of Information) Regulations 2010 set out what businesses must disclose before entering into a regulated credit agreement. I'm satisfied the PCCI given to Miss K meets the requirements of the regulations.

The Financial Conduct Authority (FCA) goes further in what it expects of a business. In a part of its handbook known as CONC 4, the FCA says a business must provide a customer with adequate explanations to allow the customer to assess whether the agreement is adapted to the customer's needs and financial situation. Among other things, CONC 4.2.5R(2)(c) says the business must explain any *"features of the agreement which may operate in a manner which would have a significant adverse effect on the customer in a way which the customer is unlikely to foresee"*.

I've thought carefully about this. It is usual that interest charges are higher on a higher loan balance and reduce as the loan balance decreases. So, I think it was reasonably foreseeable that early on in the agreement, a large proportion of Miss K's repayments would go towards interest and that this would change as the agreement went on.

In addition, a conditional sale agreement is generally intended to run for its full term. In Miss K's case, the agreement, PCCI, and explanation document all set out the total amount Miss K would have to pay, and the amount that would be each month. And it's clear from the documents that Miss K wouldn't own the car until she'd repaid the finance, so wouldn't be able to sell the car to do so.

The documents contain explanations as to how Miss K could exit the agreement early, either by settling early and keeping the car or by voluntary termination – paying half of the total amount payable and returning the car. In both cases, there's no suggestion that there would be any interest rebate. I don't think the documents gave Miss K any reason to expect that she'd be able to keep the car (or sell it elsewhere) without first paying Moneybarn the full amount of £11,394.08. That means I don't think the structure of Miss K's repayments could be expected to have "*a significant adverse effect*" on Miss K and I don't think Moneybarn failed to meet the requirement of CONC 4.2.5R(2)(c).

I've considered the other requirements of CONC 4 and I'm satisfied Moneybarn did provide Miss K with adequate explanations of the agreement before she entered into it. I'll go on to consider what the dealership told Miss K.

Option to swap the agreement after twelve months

I've reviewed the emails between the dealership and Miss K in the run up to her signing the agreement. I've included some relevant extracts below:

Miss K: "... *said he can get me swapped after 12 months too? Would that still be the case?*"

Dealership: "*If you keep up with the payments we can then look to get you accepted with another finance company who do a low rate. We can then settle this car and start again on a better plan for you.*"

...

Miss K: "*Ok so to be clear, it's £193 a month and at 12 months, as long as I keep up the payments, I can swap?*"

Dealership: "*yes you can swap as long as all your finances [are] up to date.*"

Based on these emails, I can understand why Miss K thought she'd be able to exit the conditional sale agreement after a year. I don't think the dealership were misrepresenting the agreement. That's because I think they were talking about what they might be able to do for Miss K – that being to negotiate alternative finance with a different lender.

Miss K thinks this wasn't possible and that the dealership lied to her. But I haven't seen that she asked them to swap the agreement after twelve months. When the dealership asked her in April 2024 whether she'd tried to swap she wrote: "*I have not because every time I ask for a settlement figure off Moneybarn it's basically the whole sum almost as they charged all the interest off first.*"

Miss K's testimony has been a little inconsistent – she's told us separately that she did ask the dealership about swapping the agreement after twelve months and also that she didn't because she'd had a very poor experience with them for various reasons. On balance, I think it's likely she didn't approach the dealership to ask about swapping. I can appreciate why this would have been the case, but it means I can't say the dealership lied to Miss K when negotiating the finance agreement. It is often possible to negotiate a better finance deal as the dealership described to Miss K, so I'm satisfied they didn't mislead her.

In summary, while I appreciate Miss K's in a difficult position, I'm unable to uphold her complaint. I'm satisfied Moneybarn provided adequate explanations of the agreement and I can't say the dealership misled Miss K in their negotiations leading up to the agreement. I can't hold Moneybarn responsible for any later actions of the dealership, such as failing to respond to Miss K's SAR.

My final decision

As I've explained above, I'm not upholding Miss K's complaint about Moneybarn No. 1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 22 May 2025.

Clare King
Ombudsman