

## The complaint

Mr K complains about the administration of a hire purchase agreement he had with STARTLINE MOTOR FINANCE LIMITED ('Startline'). Mr K says a default was incorrectly registered against him, and he was given incorrect information about the default process.

## What happened

Mr K acquired a car using a hire purchase agreement that was started in July 2021. The vehicle had a retail price of £21,500. Mr K paid a £1,500 deposit meaning £20,000 was financed. This agreement was to be repaid through 60 monthly instalments. There were 59 monthly repayments of £505.33 and then a final instalment of £515.33. If Mr K made repayments in line with the credit agreement, he would need to repay a total of £31,829.80.

Below is a summary of what has happened in respect of the finance agreement and the complaint. I'll only provide a relatively short summary here as I can see both parties are fully aware of what has happened. I have looked at everything that has been provided. So briefly:

- Mr K had made some of the finance payments late in 2022 and early 2023.
- I think it's reasonable to say he was unable to consistently make the repayments to the account from May 2023 onwards and it fell into arrears.
- In October 2023 Mr K, and Startline, discussed the payment problems he was having and Mr K said that he planned to sell the car to repay the finance.
- In December 2023 Startline sent Mr K a default notice saying the arrears would need to be repaid by the end of December 2023 or the account may default.
- Mr K couldn't do this, and he was only able to repay some nominal amounts in, and after, December 2023.
- In January 2024 Startline sent Mr K a letter of termination and asked to arrange collection of the vehicle.
- Mr K spoke to Startline shortly after this, and said he was still planning to sell the vehicle and clear the arrears. Startline agreed to this, provided no further payments were missed.
- Mr K spoke to Startline again later in January 2024 and he was given a concession about the arrears and selling the car. But he was informed that the finance would default at the end of January 2024.
- On 29th January 2024 Mr K spoke to Startline and was given a settlement figure. He was given incorrect information in this call as he was told that he had until the end of February to pay the arrears and restart the monthly repayments before a default would be applied to the account. Mr K did question this, as he understood the default would be applied at the end of January 2024, but he was given the incorrect information again.
- Mr K says he didn't sell the car straight away because of this. And he didn't repay the arrears, and the account defaulted. Mr K was notified about this at the start of February 2024.

Mr K was subsequently told that the information he was provided with on 29 January 2024 was incorrect and he made a complaint at this point. Mr K was in arrears of £2,005.33 when he made the complaint.

Mr K complained to Startline. Before it fully considered the complaint Startline started court proceedings to recover the car. As far as I can see these proceedings were adjourned when Mr K agreed to voluntarily surrender the car.

Startline has considered the complaint, and it has partly upheld it. It has apologised for giving Mr K incorrect information, but it said that it was right to default the account as Mr K couldn't repay it, and there seemed no prospect of this changing going forward. Mr K didn't agree with this and brought this complaint to the Financial Ombudsman Service.

This complaint has been considered several times. The first Investigator upheld the complaint as Startline had given Mr K incorrect information. They said that Startline should remove the default from Mr K's file, work with Mr K to allow him to repay the arrears and pay £400 for the distress and inconvenience the incorrect information had caused him. This was accepted by both parties to the complaint.

However, Startline had recovered the car, and it went on to sell it. And after the proceeds of the car were taken from the outstanding loan balance, it said that Mr K would still owe £6,296.07. Mr K wasn't happy about owing this amount.

Our Investigator considered this further development and issued a second opinion. They thought that Mr K had no option but to agree to the termination and this wasn't right. So, they thought the compensation should be increased.

But Startline maintained that whilst it gave Mr K incorrect information it was still right to apply the default. It hadn't acted incorrectly in any other way. It agreed to pay the £400 compensation the first Investigator thought was appropriate.

As agreement wasn't reached the complaint was considered a third time by an Investigator. This Investigator found that:

- Mr K was given incorrect information about the default in a telephone call.
- But the default was applied correctly, even given the incorrect information provided.
- This caused Mr K some distress and inconvenience and £400 compensation was reasonable for this.
- The amount Mr K was required to now pay was correct and Startline wasn't acting incorrectly when it terminated the agreement and sold the car.

Startline accepted this.

But Mr K didn't agree with the Investigator and because Mr K didn't agree, this matter has been passed to me to make a final 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.

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 was good industry practice at the relevant time.

The agreement in this case is a regulated hire purchase agreement – so we can consider a complaint relating to it.

### **Was Startline right to default, and then terminate, the finance agreement**

Given what I have outlined above, I think it's established that Mr K was unable to reliably pay the contractual finance repayments. There was a history of late payments in 2022 and 2023, and he was significantly in arrears by the end of 2023. And in the communications Startline sent, including the default notice, he was told that he needed to make up the arrears or the finance would default which it did.

A default usually comes about when the relationship between the lender and the borrower has broken down to some degree. And I think this was the case here. Mr K was having problems making the repayments. And whilst communication between the two parties was still happening, Mr K was attempting to sell the car to repay the finance. He had been trying to do this since October 2023, but he had been unable to sell the car by January 2024 when the default happened.

Whilst Startline did provide some concessions to Mr K to enable him to possibly sell the car, and pay the finance, it was also clear that Mr K needed, in some way, to make the monthly finance repayments and pay the arrears. And there wasn't really an agreement, or mutual understanding, about how he would do this.

Overall, I don't think it's reasonable to say that Mr K had the ability, without the sale of the car being completed, to pay the car finance. By this I mean it's clear that Mr K was unable to pay the contractual loan repayments on time when they became due and to make up the payments he had missed. I don't think there was a reasonable prospect of him being able to pay the car finance by the time it defaulted.

I don't think it was unfair of Startline to recognise this and take the appropriate action. So, I don't think that it was acting unfairly when it defaulted the loan and terminated the agreement. And I also don't think it was acting unfairly when it sold the car.

It is probably reasonable to say that Mr K voluntarily terminated the agreement and returned the car to avoid the court action that Startline had started. And he may have felt he had little option but to do this. But this stemmed from him not being able to make the finance repayments and, as I've said above, I don't think Startline was acting unreasonably here overall.

### **Was Mr K given incorrect information**

I've also looked at how this was communicated to Mr K. As I've said I haven't reproduced all the correspondence, and I don't think I need to. I have looked at it all and have noted that there were numerous communications from Startline about the loan repayments and arrears. And there were a number of telephone calls which I've listened to.

Mr K was informed about the default and termination and that Startline would take steps to recover the car after the agreement was terminated. I think Startline fully informed Mr K about all of this.

That said, Startline did make a mistake in the call that took place on the 29 January 2024 when it informed Mr K that he had until the end of February 2024 to sell the car and ensure the account arrears were up to date. The finance was due to, and did, default by the end of January 2024.

Mr K has said that he put the sale of the car on hold due to this. But even if I accept that this is the case, he had been trying to sell the car for a significant amount of time and he wasn't able to do this. And if the only way he could afford the finance repayments was to sell the car to raise cash, I don't think this indicates he could really afford the repayments.

So, I don't think there was a reasonable prospect of Mr K being able to change the eventual outcome of the finance defaulting, the agreement being terminated and the car sold. So, I don't think that if Startline had provided correct information that this would have altered what happened with the finance. I think the agreement was ended as Mr K was unable to repay it.

I agree that given Mr K was provided some incorrect information, this would have caused him some distress and inconvenience. As he said he did act on this information and paused the sale of the car, and it would have been frustrating when the default was applied. But I think £400 compensation is reasonable for this.

### **Is the amount Mr K owes to Startline correct**

Mr K has said that the amount he owes is too high. But when Mr K was unable to pay the car Startline acted reasonably when it terminated the agreement and sold the car. I've not seen any indication that the amount he now owes is too high. I note that Startline has rebated some of the interest from the initial agreement which it didn't have to do, but this is pragmatic given the repayment problems that Mr K has had. I don't think that Startline has made any errors in the loan termination or is asking Mr K to repay too much.

Startline should be aware of the problems that Mr K has had with the loan repayments, and it should act with forbearance when it arranges the amounts that Mr K should pay going forward.

### **Is Startline reporting the loan correctly to the credit reference agencies**

Added to this, Startline does need to accurately report how the loan was repaid to the credit reference agencies and so it isn't acting incorrectly when it has reported to these organisations that the finance was unpaid, has defaulted and has been voluntarily terminated. I don't think Startline is acting incorrectly when it reports this information.

### **Putting things right**

I uphold this complaint against about Startline and it should now:

- Pay Mr K £400 for the distress and inconvenience providing incorrect information caused him.

### **My final decision**

For the reasons I've explained, I partly uphold Mr K's complaint.

STARTLINE MOTOR FINANCE LIMITED should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 July 2025.

Andy Burlinson  
**Ombudsman**

