

The complaint

Ms W complains about a charge applied by MONEYBARN NO.1 LIMITED when she returned a car after voluntarily terminating a conditional sale agreement.

What happened

In October 2021, Ms W was supplied with a used car through a conditional sale agreement with Moneybarn. The cash price of the car was £7,999 and the agreement was for the full amount, to be repaid over 53 monthly payments of £228.30. At the time of supply, the car was around seven years old and had covered 55,887 miles.

The terms of the agreement allowed Ms W to hand the car back and end it early once she'd paid half of the balance. In September 2024 Ms W told Moneybarn she wanted to exercise this option and voluntarily terminate the agreement. Moneybarn said there shouldn't be anything further for Ms W to pay – subject to an inspection of the car.

The car was collected in October 2024 and an inspection was carried out. At the time of collection the car was around 10 years old and had travelled 77,878 miles. The inspector found several areas of damage and other problems with the car:

- Alloy wheel key – missing;
- Service history – missing;
- Front bumper – scratched;
- Wing LHF – scratched;
- Wheel LHF – scuffed rim and spoke;
- Door LHF – scratched;
- Door LHR – scratched;
- C post LH – scratched;
- Seat back cover LHR – cut;
- Qtr panel LHR – scratched;
- Wheel LHR – excessive damage;
- Rear bumper – scratched;
- Qtr panel RHR – scratched;
- Wheel RHR – scuffed rim and spoke;
- Door RHR – scratched;
- C post RH – scratched;
- Door RHF – scratched;
- Seat runner trim RHF – broken;
- Wheel RHF – scuffed rim and spoke.

Moneybarn told Ms W that the cost of repairing all of the damage came to £2,205.95. It said the car would be sold at auction without any repairs. It said it would charge Ms W either the cost of the repairs or the loss of value at auction (the difference between the sale price and the normal market value) – whichever was lower. The car sold at auction for around £1,800. Moneybarn said this was £961.41 below market value and charged Ms W that amount.

Ms W made a complaint. She said she accepted there was some damage to the car, but nothing close to the level noted by the collection agent. She said she returned the service history with the car, and that the car didn't have an alloy wheel key as it didn't use locking nuts. She said she was already struggling financially and couldn't afford such a significant charge. Moneybarn didn't think it had done anything wrong, and said it had followed the correct process by calculating the loss of value to the car and charging that amount.

The complaint was referred to this service. One of our Investigators considered the complaint and upheld it. They didn't think the collection report clearly showed the damage noted by the collection agent, and said the cost of any repairs hadn't been demonstrated. They said there's a visible scratch on one of the doors – but as it hadn't been measured they weren't persuaded it went beyond fair wear and tear. They also didn't find it fair to base the car's loss of value on the auction price, as this could be influenced by a number of factors. They said Moneybarn should waive the charge and remove any adverse information it had recorded.

Moneybarn didn't agree. It said that even if the damage wasn't clear, it hadn't applied a charge for that damage specifically. Instead, it had applied a charge for loss of value, calculated using an industry standard approach. It said Ms W had admitted to causing some damage to the car, and that it treated her fairly by charging less than the full repair cost. Moneybarn asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

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.

If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my decision on the balance of probabilities – what I think is more likely than not to have happened given the available evidence and wider circumstances.

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. Ms W was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means I can consider a complaint about it.

The terms of the agreement outline the following:

“6.1 You must maintain (at your expense) the goods in good working order and condition and will be responsible for any loss or damage to the goods, except fair wear and tear. (...)

7.1.5 You must pay the cost of repairs required to bring the goods to a reasonable condition and working order to reflect the condition the goods would have been in had you taken reasonable care of the goods. At our discretion we may decide that repairs are not to be undertaken. In this case you must pay the reasonable costs which equate to the loss in value of the vehicle caused by the goods not being returned in a reasonable condition.”

Section 100 of the Consumer Credit Act 1974 (CCA) sets out that when a conditional sale agreement is terminated early by the customer, the lender can apply a charge for costs incurred if the customer hasn't taken reasonable care of the goods. So, I'm satisfied Moneybarn was entitled to apply a charge if it could demonstrate that Ms W failed to take reasonable care of the car. I've considered whether it's done so in the circumstances of the

complaint.

As a starting point, I've considered the British Vehicle Rental and Leasing Association (BVRLA) guidelines on what is considered fair wear and tear. This guidance is generally intended for newer cars that have been returned at the end of their first finance arrangement – so is mainly used to assess cars that are a few years old. In this case, the car was 10 years old and had travelled nearly 78,000 miles at the point of collection. I'd expect a car of this age and mileage to have significantly more wear and tear than a newer or less travelled one would. So, I'd expect any consideration of the BVRLA guidelines to take this into account when deciding whether damage goes beyond fair wear and tear.

I've reviewed the collection agent's report, as well as the photos taken at the time of the collection. Having done so, I'm not persuaded that the report demonstrates damage to the extent Moneybarn suggests. I don't intend to go through each instance of damage individually, as the reported areas of damage are numerous and the vast majority of them aren't visible in the photos. For example, the report lists a scratch of more than 25mm through the top coat on the front bumper. However, the accompanying photo of the bumper doesn't contain any clear scratches or any other significant damage or markings. The same can be said of each other area of bodywork, with one exception.

The only visible area of damage from the photos which corresponds with the report is a scratched area on the front driver side door. While some scratching is visible, the photo isn't clear enough to determine the extent of it. The photo also doesn't include a measuring tool – which I'd expect to see. The BVRLA guidelines say scratches of 25mm or less – where no bare metal is showing – is acceptable. The report says the scratch exceeds 25mm and goes through the top coat. However, I don't find that the photo demonstrates this. Even if it had, the report doesn't detail the cost of repairing any of the damage – and it's not clear how Moneybarn arrived at a total repair cost of £2,205.95. There are some marks on the other doors, but the photos aren't clear enough to determine whether these are scratches, dirt or reflections – or how large they are.

There are two other issues cited on the report that don't relate to damage – the missing service book and alloy wheel key. Ms W disputes both of these issues – specifically, she recalls handing the service history to the collection agent, and says the car never had an alloy wheel key. Overall, I don't find the report to be persuasive – given that none of the cited damage has been clearly evidenced or costed. Taking this into account, I find Ms W's explanation for these two issues plausible. And in any case, the report doesn't include the cost of rectifying these issues.

So, I don't find that Moneybarn has demonstrated that the car was damaged beyond fair wear and tear, or that Ms W failed to take reasonable care of it. Even if it had, it hasn't clearly shown the cost of rectifying any damage caused to the car.

Moneybarn says the individual instances of damage aren't relevant to the charge it applied – as it didn't actually charge Ms W for any repairs. While that may be the case, the charge for loss of value was applied on the basis that Ms W had failed to take reasonable care of the car. That's the requirement under which the agreement terms – and the CCA – allow Moneybarn to apply a charge. I'm not satisfied the report – or any of the other evidence I've seen – clearly demonstrates that to be the case. The vast majority of the damage cited in the report isn't visible in the accompanying photos, and the damage that is visible isn't clear enough to say it goes beyond fair wear and tear. I acknowledge Moneybarn's point that Ms W admitted to there being some bodywork damage. But there's a difference between acknowledging that a 10-year-old car has some form of damage and demonstrating that the car hasn't been reasonably taken care of, or that any damage goes beyond fair wear and tear. So, I don't think this – on its own – shows the charge was applied fairly.

In addition, Moneybarn based its charge on the difference between the price achieved at auction and the market value – which was obtained from industry standard valuation guides. While it may be appropriate in some circumstances to rely on valuation guides, I don't find the price achieved at auction to be a fair measure of lost value in this case. Auction prices can be determined by a wide variety of factors – especially in older and more travelled cars. I don't find that the difference between the sale price and the market value clearly shows that Ms W failed to take reasonable care of the car, or that any damage she caused resulted in a corresponding loss in value. So, even if I was satisfied there was damage (which I'm not) – I don't think Moneybarn has shown that a charge of £961.41 was fair compensation for that damage in the circumstances.

To be clear, I'm not suggesting that there aren't circumstances in which a charge can be applied in this way. Where it's been clearly evidenced that a customer hasn't taken reasonable care of the car and there's damage that goes beyond fair wear and tear, applying a charge (where the estimated loss of value is less than the repair cost) could represent a fair outcome for the consumer. But as I haven't found that Moneybarn has shown Ms W failed to take reasonable care, I don't agree it can fairly apply a charge – either for the repair cost or its estimated loss of value. It follows that Moneybarn should remove the charge, along with any information it recorded on Ms W's credit file in relation to it. As the charge formed the only outstanding balance, removing it should leave nothing further for Ms W to pay.

My final decision

My final decision is that I uphold Ms W's complaint. I require MONEYBARN NO.1 LIMITED to:

- Remove the loss of value charge (£961.41).
- Remove any adverse information recorded on Ms W's credit file in relation to this charge.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 29 December 2025.

Stephen Billings
Ombudsman