

The complaint

Mr M complains that CA Auto Finance UK Limited has recorded a default on his credit file about a hire purchase agreement under which a car was sold to him and about the balance of his account.

What happened

A used car was supplied to Mr M under a hire purchase agreement with a finance provider (that's now part of CA Auto Finance) that he signed in February 2022. The price of the car was £16,327, Mr M made an advance payment of £1,099 and he agreed to make 47 monthly payments of £248.62 and a final payment of £6,495.

Mr M sold the car in March 2023 and the sale proceeds were credited to his account. That reduced the amount that he owed to £4,627.04 but the finance provider said that it would accept a payment of £2,086.21 to settle his account. Mr M went into a debt management plan and reduced payments were agreed but he ended the debt management plan in January 2025. He contacted CA Auto Finance but then found out that his account had been defaulted without notice and that the default amount was £6,034.24.

He complained to CA Auto Finance in April 2025 and it agreed that a reduced settlement amount of £2,086.21 was agreed and said that £1,672.86 remained outstanding on his account. It said that when that was settled the balance would be adjusted to £0 and his credit file would be amended to show the amount as settled. It apologised for any inconvenience caused and offered to pay Mr M £50.

Mr M wasn't satisfied with its response so complained to this service. He then said that he'd noticed that CA Auto Finance had removed the default and the associated debt from his credit file, but he'd not received any formal communication from CA Auto Finance about it. Mr M's complaint was looked at by one of this service's investigators who, having considered everything, didn't think that CA Auto Finance had acted fairly. She said that she thought that it had acted unfairly in applying the default on Mr M's credit file but she was satisfied that removing the default and clearing the balance of £1,672 was a fair and reasonable way to resolve Mr M's complaint.

Mr M didn't accept the investigator's recommendation and has asked for his complaint to be escalated to an ombudsman for a decision. He says that the removal of the default and balance write-off doesn't fully address the harm caused to him and that he's seeking both compensation and a refund as he believes that it's reasonable to request a goodwill refund of the payments that he made, alongside appropriate financial compensation for the distress, inconvenience and reputational damage caused.

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.

CA Auto Finance hasn't provided a full response to this service on Mr M's complaint. It was sent the investigator's recommendation in July 2025 and it then sent this service a copy of its final response letter and the hire purchase agreement but it didn't comment on what she'd recommended. At my request, the investigator wrote to CA Auto Finance and asked it to confirm that it has removed the default from Mr M's credit file and that it has written-off the outstanding balance of his account. That was more than three weeks ago but it hasn't responded so I'm issuing this decision.

CA Auto Finance said in its April 2025 letter to Mr M that it agreed that a reduced settlement amount of £2,086.21 had been agreed and said that £1,672.86 remained outstanding on his account. It had reported a default about Mr M's account to the credit reference agencies and I've seen no evidence to show that it sent the required notice to him before the default was reported.

Although I've seen no evidence from CA Auto Finance to confirm that it has removed the default from Mr M's credit file, he says that CA Auto Finance has removed the default and the associated debt from his credit file. The investigator said that removing the default and clearing the balance of £1,672 was a fair and reasonable way to resolve Mr M's complaint and CA Auto Finance hasn't responded to the investigator's recommendation.

I don't consider that CA Auto Finance should have reported a default to the credit reference agencies about Mr M's account or that the default amount was £6,034.24. He says that CA Auto Finance has removed the default and the associated debt from his credit file and I consider that to be a fair and reasonable outcome in these circumstances.

Mr M says that he should receive a refund of the payments that have been made to CA Auto Finance. I've seen no evidence to show that he's paid more than £2,086.21 to CA Auto Finance since it said that it would accept that amount to settle his account. I'm not persuaded that it would be fair or reasonable in these circumstances for me to require CA Auto Finance to refund to Mr M any of the payments that he's made under the hire purchase agreement.

Mr M also says that he should receive some financial compensation for the distress, inconvenience and reputational damage caused. CA Auto Finance apologised to him for any inconvenience caused and offered to pay him £50 and Mr M says that the debt of £1,672 has been removed from his credit file. I consider that writing off the debt of £1,672 would be fair and reasonable compensation for the distress, inconvenience and reputational damage that Mr M has been caused by CA Auto Finance's actions and I'm not persuaded that it would be fair or reasonable in these circumstances for me to require CA Auto Finance to pay any other compensation to Mr M.

Putting things right

Mr M says that CA Auto Finance has removed the default and the associated debt from his credit file. I consider that to be a fair and reasonable outcome in these circumstances. I'm not persuaded that it would be fair or reasonable for me to require CA Auto Finance to refund any payments to Mr M, to pay him any further compensation or to take any other action in response to his complaint.

.My final decision

My decision is that I uphold Mr M's complaint but don't require CA Auto Finance to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 October 2025.

Jarrold Hastings
Ombudsman