

The complaint

Mrs M complains that Tandem Motor Finance Limited ("TMF") treated an overpayment she made in 2024 to her finance agreement, as part of a full settlement. This led to them taking unnecessary payments from her. Mrs M also says TMF has failed to provide an accurate breakdown of her account, both in relation to the 2024 overpayment and an overpayment she made in 2022.

What happened

Mrs M held a hire purchase agreement with TMF. On 27 March 2024, she asked them to provide a settlement quote for her account. TMF sent Mrs M a quote for £11,863.49.

On 30 March 2024, Mrs M made an overpayment of £11,400 on the understanding that the remaining balance of the account would be paid by her normal monthly direct debits. TMF called Mrs M a few days later saying that there was an outstanding balance of £146.48 due. Mrs M replied saying she expected this payment to be collected by direct debit.

TMF then e-mailed Mrs M asking her to settle the account early. Mrs M replied saying she didn't want to fully repay the account but wanted to make an overpayment. However, Mrs M then noticed the overpayment of £11,400 hadn't been credited to her account. So, she asked TMF why that was, as well as asking them why they'd told her to pay the loan off early and to clarify what interest she was being charged.

Mrs M then e-mailed TMF a few weeks later as the overpayment still hadn't been credited. She asked for this to be rectified immediately and for TMF to send her confirmation that any interest accrued would be recalculated and backdated to the date when the overpayment was meant to be credited to the account.

TMF investigated what happened and initially refunded Mrs M £59.75. They then sent their formal response to Mrs M's complaint to her at the end of May 2024, in which they said they couldn't apply the £11,400 to the account at the time it was made as it was over their internal threshold percentage for a partial settlement. TMF noted they had taken two further contractual payments from Mrs M by direct debit since she made the overpayment and calculated she had paid an extra £574.27 on top of the £11,400. TMF also calculated that had they been able to apply the overpayment when it was made, there would have been an outstanding balance of £269.02 left on the account.

So, TMF offered to refund Mrs M the difference between £574.27 and £269.02, which they said was £305.26. And they offered to pay Mrs M £30 for their miscommunication.

Mrs M wasn't happy with TMF's response. She noted they had said she was owed £305.26 when this was in fact £305.25. So, Mrs M wasn't confident that TMF had correctly worked out their calculations. Mrs M also said TMF hadn't considered whether the overpayment of £5,000 she'd made on 16 November 2022 had been applied correctly. She also said she'd incurred overdraft fees because TMF took a contractual payment from her, which wouldn't have been taken had the overpayment of £11,400 been credited when she made the payment. And Mrs M said TMF's offer of £30 wasn't reasonable.

As Mrs M wasn't able to resolve her complaint with TMF, she referred the matter to our service. One of our investigators looked into what happened, but didn't recommend that TMF needed to do anything further. She said, in summary, that TMF had acted reasonably overall and had refunded Mrs M the correct amount. And our investigator said she had no reason to doubt TMF had correctly processed the previous overpayment of £5,000 that Mrs M made in November 2022.

Mrs M didn't agree with our investigator. She said TMF breached relevant law and legislation by insisting she repay the loan in full and had failed to justify their delays and mismanagement in crediting the overpayment of £11,400. Mrs M also said TMF didn't tell her their system could only accept a certain percentage of the remaining balance of the loan as an overpayment. And she mentioned she'd incurred overdraft fees as a result of this issue and said no-one had provided evidence to show the overpayment of £5,000 had been correctly applied. Mrs M also said TMF's offer of £30 didn't adequately reflect the impact of their actions.

Our investigator didn't change her view, so Mrs M's complaint was passed to me to decide.

I issued my provisional decision on 28 July 2025, relevant extracts of which I include below and which form part of my final decision.

'I'm sorry to hear about the problems Mrs M has encountered. As a starting point, I'm satisfied that Mrs M was entitled under relevant law and legislation to make partial repayments/overpayments to her agreement, and that this wasn't limited by its amount.'

The initial problem here stems from TMF not accepting the overpayment of £11,400 when Mrs M paid it.

From what I can tell, Mrs M initially asked TMF for a settlement quote which they then provided. That quote set out what Mrs M needed to pay to settle the loan in full. Mrs M then chose to make an overpayment which was less than the settlement quote. I realise she was concerned when TMF then asked her to repay the difference between the quote to settle the account in full and the amount she had chosen to pay. I don't think though this was because TMF only insisted on accepting a payment to repay the account in full. I think it more likely this was because Mrs M had originally asked for a full settlement quote and had then paid the vast majority of this amount. TMF may have thought Mrs M always intended to repay the account in full and that's I think why they then asked for her to pay the difference between the two figures.

I do agree that TMF didn't tell Mrs M that the payment of £11,400 exceeded its internal threshold for making partial payments, and perhaps TMF could have enquired whether she wanted to make an overpayment rather than thinking she wanted to settle the account. However, I think this could also have been explained had Mrs M contacted TMF to tell them of her intention to make such a significant overpayment at the time. I'm not saying that she was bound or obliged to do that. But I think what resulted was a genuine misunderstanding on TMF's part that Mrs M wanted to repay the account in full because the amount she paid was significant and close to the amount needed to repay the loan. So, I don't think that TMF intentionally misled her about this or acted outside of the relevant law and legislation on partial payments.

That being said, it does seem to me that TMF didn't act particularly swiftly once Mrs M confirmed to them her intentions behind making the overpayment. It took several weeks for this to finally be credited, and I can't really see any justification for this. TMF agreed to put Mrs M back in the position she would have been in, had the overpayment of £11,400 been credited at the time it was made by her. I think that was a reasonable position for TMF to

take bearing in mind Mrs M hadn't really been told by them what they were doing with that overpayment.

I've noted that TMF then performed several calculations to try to put things right. I don't propose to carry out an in-depth analysis of how they went about this. I do agree that TMF should have been able to give clear and accurate figures to Mrs M once they had agreed to this course of action. And it does seem they did get some of the figures wrong, for example they used a figure of £305.26 for the amount they agreed to refund Mrs M rather than the accurate figure of £305.25. However, it does seem to me that Mrs M has now been put back in the position she would have been, had the overpayment been credited on the date it was paid. I haven't seen evidence to show me that this hasn't happened, and Mrs M would need to show me this for me to say TMF need to pay anything further to her in respect of this issue.

I've next considered Mrs M's point that she incurred overdraft interest of £8.09 because TMF took a further contractual payment from her on 1 May 2024, rather than the remaining amount that was left for her to pay on the hire purchase agreement. I'm satisfied the contractual payment was taken because the overpayment hadn't been credited at that time.

I've looked at Mrs M's bank statements and note that her account was overdrawn on 1 May 2024 by £482.30, which was more than the contractual payment of £317.01 that TMF took from her. In other words, it wasn't the contractual payment alone that meant Mrs M's account was overdrawn and meant she incurred overdraft interest. Had the payment not been taken, Mrs M would have exceeded her overdraft limit by £165.29. Mrs M has said this payment took her past her agreed overdraft limit of £100 (which was interest-free). I have no reason to doubt this, and this means that Mrs M did incur some unnecessary overdraft interest as a result. I note also that TMF has said they would cover this amount upon evidence from her.

It's not possible for me to accurately say what the overdraft interest should have been. Bearing in mind the amount Mrs M was charged was less than £10, I propose to reach an overall figure of compensation which will take into account this extra amount (which I will detail a bit later in this decision).

I turn now to the overpayment Mrs M made in November 2022. Mrs M is concerned bearing in mind what happened with the subsequent overpayment that TMF didn't credit her account correctly at that time. It's not really for me to analyse at this juncture what happened at that time and whether this was applied correctly because, in the first instance, it would be incumbent on TMF to explain what happened and then for Mrs M to agree or disagree with this.

I've asked TMF to give me some details of this overpayment, which I will now set out below:

Capital	Interest + Fees	Total to repay
£ 20,000.00	£ 5,540.00	£ 25,540.00
Payment 01/2023		Payment 11/2022
Payments made		Payments made
£ 851.00		£ -
Interest charged		Interest charged
£ 339.05		£ -
Gross balance		Gross balance
£ 24,689.00		£ 25,540.00
Principal balance		Principal balance
£ 19,488.05		£ 20,000.00
Interest rebate		Interest rebate
£ 1,292.16		£ 1,323.16
Gross Balance after payment		Gross Balance after payment
£ 18,396.84		£ 19,216.84
Principal balance after payment		Principal balance after payment
£ 14,488.05		£ 15,000.00
Interest due after payment		Interest due after payment
£ 3,908.79		£ 4,216.84

Mrs M can of course query the above in her response to my provisional decision if she thinks this shows TMF caused her financial loss, and I will consider her comments about this.

I've finally considered Mrs M's request for compensation and for TMF to provide her with a complete breakdown of her account. As I've said above, I think TMF didn't act that swiftly when Mrs M told them she wanted to make an overpayment of £11,400 rather than settle the account in full. So, I think compensation for this is warranted although I would also reiterate that I currently don't think that TMF's initial actions in thinking this might have been a request for Mrs M to fully repay the account wasn't unreasonable.

Overall, I think a compensation payment of £150 to incorporate the time Mrs M spent on this issue and the inconvenience she experienced as a result, is a reasonable figure. That figure also includes the extra overdraft interest Mrs M was charged, which I have referred to above. I note Mrs M has broken down charges she feels should be payable for things like the e-mails she sent to us and TMF. We don't though award compensation based on a consumer's own charging rate. Rather, we award what is fair 'in the round'. I'm satisfied that £150 is a fair figure.

Finally, Mrs M has asked that TMF provide her with a transparent breakdown of her account showing all her payments including the two overpayments she made. I think that's a reasonable request and TMF should provide this to her.

My provisional decision

I partially uphold this complaint and currently intend on directing Tandem Motor Finance Limited to:

- Pay Mrs M £150 compensation for the time and inconvenience she was caused as a result of this dispute.*
- Provide Mrs M with a clear breakdown of her account showing all her payments including the two overpayments she made'.*

I asked Mrs M and Tandem to send me any further evidence or comments they wanted me to consider.

Tandem replied saying they agreed with my provisional decision although they asked me to clarify how I think they should provide the breakdown of Mrs M's account.

Mrs M replied saying that Tandem's breakdown about how the first overpayment affected the interest and balance of the account wasn't clear. She mentioned the interest rebate should have been £1,323.16 as at November 2023, but it was shown as of 10 January 2023 as £1,292.16. Mrs M also said that further payments she made of £425.50 in December 2022 and January 2023 could be classified as overpayments and haven't been addressed correctly by Tandem. Mrs M remains concerned there may be an outstanding balance due beyond the £305.25 previously identified by Tandem.

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'd like to thank Mrs M and Tandem for their replies to my provisional decision.

I've considered in particular what Mrs M has said, as Tandem pretty much agrees with what I set out in my provisional decision. Mrs M obviously feels that Tandem's explanation of how the first overpayment was applied is insufficient. And she's referred to other potential overpayments she made as well.

The problem I have here though is that I'm not an actuary so it's not possible for me to calculate whether Tandem has got the application of overpayments wrong, and if they have, what the financial position should have been. I think the best course of action here is that Tandem sends Mrs M a comprehensive breakdown in a separate letter setting out how each extra payment above the contractual payment, was applied and how that has affected the application of interest, and any interest rebated that may have been applicable. Unfortunately, I simply don't have the ability to be able to assess whether Mrs M is due anything more financially. Perhaps it's best if Mrs M seeks the advice of an actuary once Tandem sends the breakdown of the account to her. Mrs M may of course be able to calculate and determine any inaccuracies herself. But, and I realise this leaves things rather unresolved for now, I am unable to determine what loss is due to Mrs M at this moment, if any.

Putting things right

Tandem should pay Mrs M £150 compensation for the time and inconvenience she was caused as a result of this dispute. And they should provide Mrs M with a clear breakdown of her account showing all her payments including all overpayments she made.

My final decision

I uphold this complaint and direct Tandem Motor Finance Limited to take the actions I've set

out in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 19 September 2025.

Daniel Picken
Ombudsman