

The complaint

Mr H says Blue Motor Finance Ltd ('Blue Motor'), has poorly administrated the early termination of his car finance agreement.

What happened

This complaint is about a hire purchase agreement that Mr H took out to purchase a car in April 2022. The vehicle had a retail price of £9,950. Mr H paid a £250 deposit meaning £9,700 was financed. This agreement was to be repaid through 60 monthly instalments of £234.41. If Mr H made repayments in line with the credit agreement, he would need to repay a total of £14,315.

Mr H complained to Blue Motor saying that he'd asked to voluntarily terminate ('VT') the agreement, but he hadn't received proper information about how to do this. He'd received no request for payments, yet his credit report was showing that he had missed two payments. He thought he had paid the full amount to VT the agreement, and he wanted the late payment markers to be removed from his credit file.

Blue Motor considered this complaint, and it didn't uphold it. It said that Mr H hadn't repaid the full amount, and he still had sums to pay. And it would continue to report missed payments until the agreement was settled. Mr H didn't agree with this and brought this complaint to the Financial Ombudsman Service.

Our Investigator upheld Mr H's complaint. She thought that the information about the VT process was very unclear, but in any event Mr H had already repaid more than was outstanding under the agreement. So, the overpayment should be refunded to him, and he should also receive compensation for the distress and inconvenience Blue Motor's poor administration and communication had caused him.

Blue Motor didn't agree with the Investigator. It didn't provide detailed reasoning of why this was, but it maintained Mr H had not repaid the full amount under the agreement in good time.

There was some further correspondence, but no new issues were raised. Because Blue Motor didn't agree, this matter has been passed to me, an Ombudsman, 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.

I'm not going to go into a great amount of detail about what happened in this complaint. I firstly don't think I need to do this to say why I am upholding it. And our Investigator provided full detail in her communications, so all the parties to the complaint are aware of what happened. But briefly:

- Mr H asked to VT the agreement in August 2024. The amount he needed to pay to do this was £7,157.80, which is half of the total finance amount.
- Mr H had paid £6,579.07 at this point so he still owed £578.73.
- In August 2024 a payment was made by direct debit of the normal payment amount of £234.41.
- Mr H was told in the VT notice provided in September 2024 that he would need to pay half the finance amount and so he still needed to pay £344.42. The car was sold and the agreement ended at this point.
- In October 2024, Mr H logged onto his customer portal and made a payment of £234.41, rather than the actual £344.42 he owed. He says he did this because this was the amount the portal said he owed.
- Mr H has said he assumed the amounts he owed would be paid by his direct debit arrangement, but this had been cancelled. And the transaction statement Blue Motor provided does (incorrectly) show that Mr H owed £234.41 at this time, which does support what he says. But it's clear that Mr H thought he had paid, or would pay, the amounts owing.
- Added to this when Mr H contacted Blue Motor to say he had paid the agreement and asked for the late payment markers to be removed from his account, Blue Motor agreed to do this.
- But the correspondence from Blue Motor has consistently said that Mr H still needed to repay £344.42 which is incorrect due to the payment Mr H made in October 2024.
- Regardless of all this Mr H paid £344.32 in January 2025 to ensure the agreement was settled.

It's clear, as the above outlines, that Mr H has repaid more than he should have by £234.41. I think that if Blue Motor had communicated better with Mr H he would have paid the correct amounts at the right time.

I also think that Blue Motor should have noticed this, not least because Mr H told them about it. And it has also been informed about this as part of the complaint process. It's somewhat surprising that it doesn't seem to have taken this on board and has continued to add late payment markers to Mr H's credit file when he had in fact paid more than he should. Blue Motor should really have realised this and taken steps to put it right, I don't think it has done this.

Mr H has outlined the frustration and time this caused him. And he's had the added worry that the late payment markers have caused as he says this may stop him getting credit in the future. I think the £100 recommended by our Investigator for this distress and inconvenience is reasonable.

Putting things right

I uphold this complaint and Blue Motor should now:

- Refund Mr H the £234.41 overpayment.
- Pay 8% simple yearly interest on the refund, calculated from the date Mr H made the overpayments to the date of the refund[†].
- Pay £100 for any distress or inconvenience that's been caused.
- Remove any adverse information from Mr H's credit file in relation to the agreement.

[†]HM Revenue & Customs requires Blue Motor to take off tax from this interest. Blue Motor must give Mr H a certificate showing how much tax they've taken off if he asks for one.

My final decision

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

Blue Motor Finance Ltd 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 H to accept or reject my decision before 17 October 2025.

Andy Burlinson
Ombudsman