

The complaint

Mr M is unhappy that Advantage Finance Ltd are reporting adverse information to the credit reference agencies in relation to a car they supplied to him under a hire purchase agreement.

What happened

In November 2018, Mr M was supplied with a used car through a hire purchase agreement with Advantage. The agreement was for £7,490 over 60 months; with 59 monthly payments of £267.57 and a final payment of £442.57.

The car was stolen on 17 June 2019, and Mr M made a claim through his insurance company. He also stopped making payments to Advantage. Despite his insurers originally saying they would pay the claim and clear the outstanding balance with Advantage, they declined the claim and no payment was made.

Mr M applied for a mortgage in 2024 and discovered that Advantage were reporting missed payments on his credit file, and they had been for six years. Unhappy with this, he complained to Advantage. They didn't uphold his complaint and said they could show the account as settled when Mr M paid the £3,745 they'd previously offered as a reduced settlement figure, but they wouldn't remove the missed payments from his credit file. Mr M didn't accept this as a resolution, so he brought the matter to the Financial Ombudsman Service for investigation.

Our investigator said that Mr M had stopped making payments to Advantage in 2019, and they been in regular contact with him since that date about the arrears. The investigator was satisfied that Mr M was aware of the outstanding balance since before he applied for the mortgage, and Advantage had made him reasonably aware of what he owed. So, while the insurance company didn't pay the claim, this wasn't as a result of anything Advantage did, and the investigator thought Advantage had acted fairly throughout.

Mr M didn't agree with the investigator's opinion. He said he'd heard nothing from Advantage since he was told his insurer was going to clear the outstanding balance, and, if this hadn't happened, then Advantage should've defaulted the agreement and not continued to report arrears. He didn't feel that he was fairly treated at the outset, as he was to pay as much in interest as the car was worth, and that he was prepared to pay Advantage the £3,745 if they backdated a default to 2019.

I issued a provisional decision on 29 October 2025, where I explained my intention to uphold the complaint. In that decision I said:

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 view on the balance of probabilities – what I think is most likely 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. Mr M was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

Mr M financed a car with Advantage in November 2018, and the car was stolen in June 2019, at which point Mr M had already stopped making payments. While Mr M has argued that Advantage should've defaulted his account three to six months after it went into arrears, as these are the guidelines laid out by the regulators, I'm not satisfied they apply here.

I say this because there was an ongoing insurance claim, which started before the agreement was three months in arrears, and all parties were of the initial understanding that the outstanding balance would be settled by the insurance company. There is no set time under which an insurance claim should be settled, and it's perfectly possible this could take in excess of three, or even six, months.

As such, it wouldn't be reasonable for Advantage to consider a default until after any insurance claim has been resolved, as registering a default based entirely on the three to six months time schedule could result in the default being registered shortly before the claim is paid. And this would have an adverse effect on the customer's credit file for six years.

The evidence shows the agreement started on 5 November 2018. Payments were made up until May 2019 when Mr M cancelled his direct debit, causing the June payment to fail. No further payments were made to Advantage.

On 6 July 2019, Advantage were advised by the police that the car had been stolen, and a check of the Motor Insurance Database confirmed this had happened on 17 June 2019 (after Mr M had cancelled his direct debit). On 11 July 2019, Advantage advised Mr M's insurers of the settlement figure (£8,620.24) and that this figure was valid for the duration of the claim.

The evidence shows that, between 3 June 2019 and 6 January 2025, Advantage wrote to Mr M on 40 occasions about his account. These letters included two default notices, statutory notices of arrears every six months, annual statements, and multiple requests asking him to contact them about the missed payments.

I've seen that Advantage wrote to Mr M at the address he supplied them, which is also the same address that he provided us. So, I'm satisfied this was his correct address. During this period, Advantage also sent Mr M 18 SMS messages to the contact number he'd provided them with, which included one confirming that a default notice had been issued.

Mr M has said that Advantage should've sent these letters by tracked post, so they were sure he received these. But I don't think that was necessary. While it's quite possible that one or two letters may have gone astray in the postal system, I find it highly unlikely that 40 letters, sent over a period of four and a half years, and 18 SMS messages, all went undelivered. I also don't think that Advantage had any reason to produce but not send these letters as they were trying to collect a debt.

As such, I'm in agreement with the investigator that Mr M was reasonably aware of the debt, and that he was required to make payments to Advantage following his cancellation of the direct debit in June 2019, a few weeks before the car was stolen.

However, I also agree with Mr M that it's not fair for Advantage to continue to report arrears on his credit file – it's not reasonable for a lender to keep reporting a debt, especially one where the customer is non-responsive to contact attempts, without taking further action. And

Mr M has said that he's prepared to pay Advantage the £3,745 they've agreed to accept to settle the outstanding balance, but he would like the default to be correctly reported first.

As such, I'm satisfied that Advantage should've defaulted the account already, and this is what I intend to ask them to do. However, I also need to consider what is the correct date of the default.

As I've already explained, it was reasonable for Advantage to wait until the insurance claim was settled (or declined) before considering a default. Although, as Mr M was required to continue making payments while the claim was in progress, they also acted reasonably by reporting the account in arrears during the claim process.

Mr M has said that he was expecting his insurance company to settle the claim, which I think is a fair assumption when you claim for a stolen vehicle – you wouldn't necessarily expect your claim to be declined. So, when the claim was declined, it would've been reasonable for Advantage to allow Mr M some time to either settle the agreement, or make some arrangement to pay, following the declination.

Advantage's case notes show they were advised on the 17 May 2021, by the insurance company, that the claim had been declined. This was because the insurance policy wasn't in Mr M's name, but the name of a family member. The case notes also show that Advantage attempted to recover the car but chose not to in August 2021 due to the storage fees – essentially writing off their asset.

Had Advantage acted reasonably at the time, I think they should've made a further attempt to contact Mr M following the notification of the claim decline, giving him some time to make arrangements. If Mr M didn't do this, then a further default notice should've been sent, giving Mr M 28 days to take action, before the agreement was terminated and a default registered.

I've no doubt this would've taken around three months to complete, so, I think it's fair that the default should be dated to 4 August 2021 – the date Advantage wrote-off the car. And that this should be recorded with the credit reference agencies.

Advantage have also confirmed that they will accept £3,785.72 from Mr M to clear the debt – writing off 75% of the amount owing. I think this is more than reasonable in the circumstances, and the 75% balance write off adequately compensates Mr M for any distress or inconvenience he's been caused by Advantage not registering a default when they should have. So, I don't intend to ask Advantage to further compensate Mr M.

Finally, Mr M has complained that the cost of the agreement was excessive from the outset, with the interest almost doubling the cost of the car. While I've noted that Mr M signed an agreement that clearly stated the interest rate and the amount of interest being charged, and that Advantage are writing off all the interest as part of their 75% balance reduction; Mr M hasn't raised this complaint with Advantage.

Our rules don't allow us to consider a complaint about a financial business unless it's been raised with them first, and they've had the opportunity to consider and respond to it. As this hasn't been the case, I won't be considering this matter as part of my decision.

Responses

Mr M accepted my provisional decision, and again confirmed that, once his complaint was resolved, he would repay the £3,875.72 to Advantage.

Advantage didn't respond to my provisional 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.

As Advantage haven't said anything to the contrary, I'm taking their comments to mean they don't object to my provisional decision. Given this, and that Mr M has accepted my provisional decision, I see no compelling reason why I shouldn't now adopt my provisional decision as my final decision.

Putting things right

For the reasons explained in my provisional decision and above, Advantage should register a default in respect of the agreement Mr M has with them, and this default should be backdated to 4 August 2021.

My final decision

For the reasons explained, I uphold Mr M's complaint about Advantage Finance Ltd. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 December 2025.

Andrew Burford
Ombudsman