

## **The complaint**

Mrs M complains about charges applied at the end of her conditional sale agreement by Moneybarn No.1 Limited (Moneybarn) and that they threatened to register a default against her.

## **What happened**

In October 2019 Mrs M acquired a used car through a conditional sale agreement financed by Moneybarn.

In July 2022 Mrs M chose to voluntarily terminate (VT) the agreement. Moneybarn went on to assess the car and told Mrs M that it needed substantial repairs at a cost of over £3,000 to meet fair wear and tear standards. They said they'd sell the car at auction and charge Mrs M the lesser of either the repair costs, or the loss in value.

Mrs M complained to Moneybarn in July 2022 about the charge. She said she didn't feel she needed to pay anything more than the VT balance.

Moneybarn sold the car at auction and wrote to Mrs M in September 2022 to confirm that the shortfall, and therefore the outstanding charge for her to pay, was £918.57.

Moneybarn sent Mrs M their final response to her complaint in September 2022. They said, in summary, that they thought the charge was fair and Mrs M needed to pay it.

Moneybarn sent Mrs M notice of sums in arrears letters in September 2022, February 2023, July 2023, January 2024, June 2024, December 2024 and May 2025. The letters set out the outstanding balance under the agreement, and asked Mrs M to contact them to discuss payment.

At the start of July 2025 Moneybarn wrote to Mrs M to say that they should've registered a default for the unpaid amount sooner. They apologised for not doing this and told Mrs M they now intended to do so. They gave Mrs M until the end of July 2025 to pay the charge and said if she didn't do so they'd register the default but backdate it to when it should've been applied in August 2022.

Mrs M complained to Moneybarn in July 2025 about the default letter. She said, in summary, that the charge wasn't fair and that she was unhappy that a backdated default would be added years after she exited the agreement.

Mrs M paid the charge in order to avoid the default, and no default was reported to Mrs M's credit file.

Moneybarn sent Mrs M their final response to her complaint in September 2025. They said the fairness of the charge had been investigated previously and so they wouldn't consider this again. They said the default notice had been sent appropriately after a period of non-payment and no contact.

Unhappy with Moneybarn's response, Mrs M brought her complaint to this service for investigation. She said no evidence was provided for the charge applied in 2022, and she didn't agree that a default was appropriate in the circumstances.

Our investigator gave their view that Mrs M's complaint about the fairness of the charge had been brought to our service too late, and so we couldn't consider it. They thought the letters Moneybarn had sent Mrs M were clear and set out the steps Mrs M needed to take. They said although there was a delay in Moneybarn issuing a default, their offer to backdate this was fair in the circumstances, and so they didn't ask Moneybarn to do anything more.

Mrs M didn't agree. She said she paid the full amount due under the agreement and the threat of a default wasn't fair.

As an agreement can't be reached, the case has been passed to me for a 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.

Mrs M has received a separate view from our service that her complaint made to Moneybarn in July 2022 about the fairness of the charge is not in our jurisdiction to consider. My decision, therefore, focuses on the events surrounding the default notice. I'm not considering here whether the application of the charge in 2022 was fair.

I've seen evidence that Moneybarn wrote to Mrs M to inform her of a shortfall balance that she needed to pay after her agreement ended. I've considered the notice of sums in arrears that Moneybarn sent to Mrs M, and I'm satisfied that these were clear in terms of the amount owed and the steps Mrs M needed to take. So, whilst I recognise that Mrs M disputed the charge, I'm satisfied that she was aware of it, and that Moneybarn were asking her to pay it.

In its "Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies", the Information Commissioner's Office ("ICO") says a business can register a default after a customer is behind with their payments for three months. And that it expects businesses to register a default by the time a customer is six months behind with their payments. I consider this to be representative of good industry practice. And as a minimum, would expect a lender to act in accordance with these principles when deciding whether to default a consumer's account.

Here, there was a period of around three years between the charge becoming payable and Moneybarn setting out their intention to register a default. Moneybarn have accepted that there was a delay in them setting out their intention to register a default on Mrs M's agreement. So, I've considered whether they've done enough to put things right.

In the circumstances, I'd expect Moneybarn to have registered a default in respect of non-payment of the shortfall balance by no later than January 2023. Moneybarn told Mrs M that if she didn't make payment, they would register the default but backdate it to August 2022.

A default remains on a credit file for six years. And so, the earlier its registered, the earlier it would be removed from Mrs M's credit file, and so the backdating of the default would be a benefit to her, and in line with what I'd have asked Moneybarn to do if they hadn't already offered to take this step.

All things considered, I think Moneybarn's offer to backdate the default to an earlier date was a fair way to put things right for the error in not registering it sooner.

I recognise that Mrs M paid the sum before a default was registered, and so no adverse information was reported to her credit file. As a result, I don't think Moneybarn need to pay any compensation in the circumstances.

**My final decision**

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 15 April 2026.

Zoe Merriman  
**Ombudsman**