

complaint

Mr O complains that his car was sold for less than its market value when he voluntarily terminated a hire purchase agreement with Moneybarn No 1 Limited.

background

Mr O purchased a car in October 2015 and entered into a hire purchase agreement with Moneybarn.

In April 2017 Moneybarn issued a Termination Notice because the agreement had fallen into arrears. Mr O decided that the car was no longer affordable and agreed to hand it back.

The car was collected and inspected by the recovery agents (Ceatta) in May 2017. The inspection report found minor damage to the car. The car was then delivered to an auction site where it was inspected again by BCA. A mechanical report was also carried out. The inspection found cosmetic damage and an issue with the clutch. Moneybarn estimated that the car would achieve between £1400 and £1700 at auction. It was sold for the higher of these two amounts leaving Mr O with an outstanding balance to pay under the agreement.

Mr O says that the car could have been sold at a higher price. He says that the BCA inspection identified damage which wasn't identified in the first inspection by Ceatta. He thinks that the damage occurred after he returned the car. Mr O is also unhappy that he's been left with an outstanding balance which is almost as much as he paid for the car in the first place.

In its Final Response Moneybarn acknowledged that not all of the cosmetic damage detailed on the BCA report was present on the Ceatta vehicle condition report. It offered to reduce Mr O's outstanding balance by £200 as a gesture of goodwill.

The investigator didn't uphold the complaint. She said that based on the inspection reports there was cosmetic and mechanical damage to the car which would have affected its value. She also said that there was no evidence that the damage which wasn't identified in the first inspection report happened whilst the car was in Moneybarn's possession. The investigator said that because Mr O's account fell into arrears Moneybarn was entitled to report this on his credit file.

Mr O didn't agree. He said that the further damage happened after the car was collected and that this had cost £1400 to rectify. He says that he's not responsible for the cost of this damage and wants this sum deducted from his outstanding balance.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've looked at the inspection reports and I agree that damage has been identified in the second report which isn't identified in the first report. I understand why Mr O might take the view that this further damage happened between the first and second inspections. However, it's important to look at the type of inspection which was carried out. The first inspection was carried out by the recovery agents Ceatta. This wasn't a detailed inspection and didn't include any kind of mechanical inspection.

The second inspection and the mechanical report was carried out approximately one week later by BCA. This inspection was an in depth inspection and identified more cosmetic damage than the Ceatta report. The mechanical report found an issue with the clutch. From the available information it looks as if the issue with the clutch was the main factor which affected the achievable price for the car.

I can't be certain of whether the car suffered further cosmetic damage in between the two inspections. It seems more likely that some damage could have been overlooked in the first inspection because this was a quick appraisal. The car was only in Moneybarn's possession for approximately a week before it was inspected by BCA. It's possible – but I think unlikely – that cosmetic damage happened in such a short time. Even if further cosmetic damage happened during this time, there's no evidence that this affected the sale price. The most significant factor which affected the sale price was the issue with the clutch. There's no evidence that the issue with the clutch arose when the car was in Moneybarn's possession.

I think that Moneybarn has acted reasonably in offering to reduce Mr O's outstanding balance by £200 to reflect the fact that not all of the cosmetic damage was identified in the first report. I can't fairly ask Moneybarn to do anything further because on the balance of probability the damage to the car was present at the time of the first inspection. In relation to any markers which have been recorded on Mr O's credit file, I can see that the agreement fell into arrears so Moneybarn is entitled to report this. If Mr O reaches an arrangement with Moneybarn to repay the outstanding balance this will also be noted on his credit file.

Taking all of the circumstances of the complaint into account I'm unable to say that Moneybarn has done anything wrong and I won't be asking it to reduce Mr O's outstanding balance or to remove any entries from Mr O's credit file.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 28 July 2018.

Emma Davy
ombudsman