complaint

Ms J complains that she received a letter from solicitors acting on behalf of Volkswagen Financial Services (UK) Limited trading as SEAT Finance chasing repayment of a debt she'd already repaid. She wants an explanation and compensation for the upset caused.

background

Ms J told us that several years ago she ran into financial difficulties after taking out a hire agreement with SEAT. Eventually she says she was taken to court by SEAT and following a court order she states that she made repayments from her wages. She states the debt was fully paid off during 2018. Ms J says that in March 2019 she received a letter from a firm of solicitor's acting for SEAT which appeared to suggest that at least part of the debt was still outstanding. And she further complains of interest charges which she thinks were added to the debt after it had been repaid.

SEAT told us that the hire agreement started in 2011 but was terminated in September 2012 due to arrears. It said the vehicle was repossessed at around the same time. Subsequently it said it issued a court claim in 2013 for payment of sums due. And it provided a statement of account showing payments made since that time. SEAT indicated that in May 2019 legal fees of £871.30 had been added to Ms J's account. It confirmed that the total debt had now been repaid in full. SEAT stated that the letter which Ms J had been sent in March 2019, was sent by new solicitors and before it had received closure from its previous solicitors. And now it had received this it had closed the file. It said Ms J shouldn't receive any further letters.

I issued a provisional decision on this complaint on 3 September 2020. I said that I intended to uphold the complaint. I found that as SEAT had appointed both sets of solicitors to act, it should've taken up any issue about account closure with them. There didn't appear to be any justifiable reason why Ms J should be contacted so long after the debt was repaid. I also said I didn't think it was fair and reasonable, in the absence of a court order, to add legal fees and costs over six years after the agreement was terminated.

Since my provisional decision was issued SEAT initially replied saying it would provide information about any legal fees and costs added to the account. But it's not followed this up and hasn't, so far, provided that information. Ms J has also replied. And whilst she initially accepted my provisional decision, she also supplied information which suggests that the initial conclusion I'd drawn about when the costs and legal fees had been added was probably mistaken.

Ms J confirmed that she had been making regular monthly payments towards the debt - after the court case - from her wages. And that this was completed in March 2018. As no payment has been made since then and SEAT confirms the debt is fully settled it would seem probable that the legal costs were included within the payments that Ms J was repaying monthly.

In those circumstances it seems the entry on the statement in May 2019 wasn't included to show that an additional item was still owing. But presumably to identify the basis of the specific previous payments for accounting purposes. It wouldn't be fair and reasonable to require SEAT to refund charges arising from the court case which were applied to the account immediately thereafter.

I advised Ms J of my intention to amend my provisional decision in this respect. And she responded saying she didn't agree with this. Whilst I understand that she's disappointed with this change, as she hasn't suggested that she made any further payments after the debt was settled in March 2018, the only conclusion to be reached is that any fees were included within the amount settled by her regular monthly repayments. Which is what I would have expected.

I still find it was wrong for SEAT's solicitors to have written to Ms J as if sums were still outstanding. And the £100 I intended to award for distress and inconvenience is still appropriate. I'll give full reasons in my final decision which is set out below.

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 should explain at the outset that due to some of the circumstances relating to this complaint going back to 2011 and later resulting in a court decision I'm limited in the scope of my decision. This means I can't look at what led up to the court case or the reasons why the court appears to have given judgment against Ms J. This is partly due to the time lapse from when the cause for complaint first arose. Usually I can't look beyond a period of six years. Nor am I able to alter or interfere with a court decision.

I've concentrated on the complaint which Ms J brought after she received a letter from a firm of solicitors I'll refer to as *"LJ"* in March 2019. Unfortunately, despite a number of requests SEAT hasn't supplied me with all the information that I've requested. And it's not entirely clear if SEAT fully addressed Ms J's initial complaint about this letter. Ms J received the letter from LJ which was dated 18 March 2018. The letter referred to Ms J's account with SEAT and read:

"As you know, you have been liaising with S who were solicitors acting for VWFS (SEAT) in relation to the above matter. VWFS (SEAT) have now asked us to act for them in place of S. We will write to you within 14 days with the details of your case handler and the status of your case."

I can understand why Ms J would be upset at receiving a solicitor's letter about a debt if she'd already repaid it.

On 20 March she wrote to SEAT expressing her concern and confusion about the letter and advising that the debt had been paid. SEAT acknowledged her complaint but seems to have thought it related to a PPI issue. It responded on 28 March saying there was no PPI attached to the account.

Ms J replied pointing out that the complaint was about the solicitor's letter regarding the debt she'd already paid. And she added that it was also about the interest on the debt. When Ms J complained to this service, SEAT acknowledged that no investigation had been carried out into her complaint as there was no PPI attached to the agreement.

Where information is incomplete or unclear - as much of it is here - I reach my conclusions on the balance of probabilities. That is, what I think is most likely to have happened in light of the available evidence and the wider surrounding circumstances.

I've seen a statement of account which appears to show that from the end of 2013 until 5 March 2018 Ms J was making regular monthly payments which varied from £80 to £100. Payments ceased thereafter, and I infer that this was due to the debt having been repaid. On 16 May 2019 a sundry debit appeared on the statement in the sum of £871.30. SEAT have informed us that this figure related to legal fees due to having to take the case to court. It said the debt had been fully repaid and its file was now closed.

I'm not sure if the *"interest"* payments which Ms J mentioned in her complaint to SEAT is in fact a reference to the legal fees which appears to be the reason for the sundry debit item appearing on the account in May 2019. At my request our investigator wrote to SEAT and sought clarification. SEAT hasn't replied with a full explanation, so I intend to rely on the information which Ms J has recently supplied.

The limited information available shows that Ms J had repaid the debt in full by March 2018. And there appears to be no justifiable reason why LJ sent its letter over a year later which inferred it was taking over the administration of the debt from S. Both solicitors were instructed by SEAT. And if SEAT hadn't been notified by the first solicitors, S, that the debt had been repaid a year earlier that would appear to be a matter for SEAT to take up with S.

I think it lacks empathy to downplay Ms J's concerns simply by saying it hadn't received notice of closure from S. And state that now it had, Ms J wouldn't receive any more letters about the matter. It failed to properly acknowledge the impact upon Ms J.

Anyone who has been repaying a debt over several years following a court judgment is likely to feel a sense of relief when the debt is finally repaid. To then receive a letter a year later which implied that there may be still be part of the debt remaining is likely to have been particularly worrying to Ms J. I think SEAT should pay £100 in compensation for this error to recognise the distress and inconvenience caused.

In summary, I find that SEAT was responsible for the erroneous actions of its solicitors in writing to Ms J about a debt which had been repaid a year or more previously. But I've not seen any information which now leads me to think that interest charges or legal costs were added after the debt had been repaid in March 2018. Or that Ms J has been required to make any payments since then.

I'm upholding her complaint to the extent that she should not have been contacted in the manner she was about a debt that she'd repaid. And that this caused her distress and inconvenience.

my final decision

For the reasons given above my final decision is I'm upholding this complaint in part.

I now require Volkswagen Financial Services (UK) Limited trading as SEAT Finance to pay £100 to Ms J for distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 30 December 2020.

Stephen D. Ross
ombudsman