

complaint

Mr W acquired a car using a four year conditional sale agreement with Moneybarn Limited. The agreement was terminated by Moneybarn because of arrears in repayments, and the car was sold at auction. Mr W complains that Moneybarn says he still owes it nearly £3,000, and is chasing him for this outstanding payment. He says that he has already repaid more than is owed, and he wants Moneybarn to stop contacting him.

background

Moneybarn responded to Mr W's complaint, saying the possible consequences of not making repayments and termination of the agreement were explained in the documentation he received when he signed the agreement. It provided a statement of the agreement account, showing:

- the opening balance (including interest)
- additional costs and fees incurred
- payments made by Mr W and the proceeds from selling the car
- and the balance still owed.

Moneybarn also said that Mr W had received notices of arrears and default, but he did not clear the arrears. It then repossessed his car and enforced termination of the agreement, making him liable for the full amount due (including interest). It added:

- If Mr W had voluntarily terminated the agreement, he could have avoided some of these costs
- A settlement offer of just under £2,000 was made to Mr W, which he did not take up – as a result of which he was being contacted by its debt collection agents

Mr W referred his complaint to us. He did not accept the calculation made by Moneybarn, which led to the figure of nearly £3,000 owed. He could not see how Moneybarn could be allowed to charge interest for the agreement's full term, when it was terminated mid-way. He provided an alternative calculation, which led to a figure of over £450 in his favour.

Our adjudicator did not think the complaint should be upheld. She said Moneybarn had not made errors in its dealings with Mr W. In particular, it had correctly calculated the amount he owed. Mr W disagreed with our adjudicator, and asked for his complaint to be reviewed by an ombudsman.

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 find that I have come to the same conclusion as our adjudicator, for the same reasons.

I sympathise with Mr W, but his calculation does not make proper allowance for interest owed on the money he borrowed to acquire his car. The monthly repayments required by the agreement were to repay both this fixed amount of interest (just under £4,400 – which was 'front loaded' onto the account) and the money borrowed.

The sale proceeds were applied to the account and reduced the amount owed, although this did not happen until nearly two years after Mr W borrowed the money. But the account was already in arrears at that time, because monthly repayments had been missed.

Moneybarn's calculation shows that the amount owed (just under £3,000) includes interest of just over £2,000. Moneybarn's settlement offer to Mr W included a rebate of just over £1,000, which was calculated having regard to regulations regarding early settlement.

In my view, Moneybarn calculated the amount owed by Mr W correctly, and properly applied the terms and conditions of the agreement he signed. And so I agree with our adjudicator that it did not act in error.

my final decision

For the reasons explained above, 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 W to accept or reject my decision before 8 February 2016.

Roy Mawford
ombudsman