

The complaint

Mr R is unhappy with how Specialist Motor Finance Limited (SMFL) dealt with his request to voluntarily terminate his hire purchase agreement.

What happened

In July 2020, Mr R was supplied with a used car through a hire purchase agreement with SMFL. The agreement was for £9,100 over five years; with 59 monthly repayments of £266, and a final payment of £276.

Mr R said he submitted his request to voluntarily terminate (VT) the agreement in April 2023. He said his intention was to take out a new agreement with SMFL as he wanted a new car. He said he told them his new finance offer expired on 21 April 2023, and he needed them to complete the VT process before that date.

He said that SMFL didn't process his request to VT. He said they told him this was because he'd asked them to stop the VT process, and because he hadn't submitted the VT form – he said he didn't ask them to stop, he'd only requested a settlement figure so that he could consider his options.

He said this meant he couldn't obtain the finance offer he'd hoped to get. He said SMFL told him they wouldn't offer him new finance due to a change on his credit file. Mr R said the delay meant he was having to pay an extra £5,000 on the new agreement he had been offered.

Mr R said he complained to SMFL in June 2023. He said they told him they found the original VT form he'd submitted. He said they then processed the VT immediately, and collected the car on 25 June 2023.

Our investigator wrote to SMFL asking if they had provided Mr R with a final response to his complaint. She also asked them why it had taken so long to process Mr R's request to voluntarily terminate the agreement.

SMFL didn't respond to any of our investigator's requests for information. They confirmed they'd received the requests. It also looks like they never issued a final response letter to Mr R. She considered the complaint based on the information provided by him.

She felt that there had been an unnecessary delay between 4 April 2023 and 25 June 2023 and Mr R should get compensation to reflect that.

She didn't think the delay was the sole reason for the higher interest rate Mr R was given so she felt it wasn't fair to hold SMFL responsible for it.

The case has been passed to me for an Ombudsman's decision because SMFL didn't respond to her view.

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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. 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.

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 R was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

Regulated firms like SMFL are required to provide us with the information we have requested. I'm satisfied that SMFL received our information requests as I've seen their automatic acknowledgments. As they've not responded I've made my decision based on the information provided by Mr R. Our rules allow me to do this.

I'm satisfied that Mr R signed the VT form on 31 March 2023 and submitted his request to voluntarily terminate the agreement shortly after. I say this because I've seen a copy of the form he submitted. Also, it appears that SMFL have now, belatedly, processed the request without Mr R having to resubmit the form.

Mr R said he needed the VT process completed by 21 April 2023, three weeks after he submitted the form. It would be reasonable to expect SMFL to be able to do it in that time. I can't say they *must* have been able to do it in that time. That's because the whole process includes collecting and inspecting the car, involving third parties.

But it appears that SMFL took no steps to process Mr R's request to VT – at least not until he formally complained to them. And even then they didn't complete the process until June 2023, more than two months after he submitted the request. That is not fair or reasonable.

So I'm satisfied that SMFL unnecessarily delayed the voluntary termination process and did not act reasonably. And they didn't act in line with the principles set out by the industry regulator, the Financial Conduct Authority, in particular Principle 2 that requires SMFL to "*conduct its business with due skill, care and diligence*", and Principle 6 that requires them to "*pay due regard to the interests of its customers and treat them fairly*".

Mr R described the impact on him. He said that he lost the finance offer he had due to SMFL's delay. This meant he had to accept a more expensive consumer credit agreement. I'm not satisfied that the SMFL's delay was the sole reason for the higher cost of credit. There are a number of factors that impact on the cost of credit – market changes are one, but so are an individual's personal circumstances, their credit score, as well as a business' lending criteria.

For the reasons I've given above, I'm also not satisfied that SMFL would have been able to complete the VT process in the time period Mr R requested.

So I'm not requiring SMFL to compensate Mr R for the increased cost of the new agreement he voluntarily entered into.

Mr R also said he had to insure his new car, and keep insured the car that was the subject of this agreement. He hasn't provided evidence of these extra costs so I'm not requiring SMFL to reimburse him. In any case I'm also not persuaded that I would require them to pay that cost. That's because, based on the limited information I have, Mr R chose to purchase the new car before he'd returned the original car – so whilst his decision may have been prompted by SMFL's delay, it was his choice to incur the extra cost.

I do think that SMFL should compensate Mr R for the distress and inconvenience their handling of the voluntary termination request had on him. He had to contact them to find out what had happened, and it wasn't until he had raised a formal complaint that they realised he had submitted the form on the original date – as he'd told them on several occasions. This process took longer, and more effort from Mr R than was necessary. I think an award of £225 fairly reflects the impact on him.

Putting things right

I'm asking SMFL to do the following:

- If they haven't already done so, voluntarily terminate the agreement as set out in the section "Termination: Your Rights" of the agreement, and collect the car from Mr R
- Pay £225 to Mr R for the distress and inconvenience I've described above

My final decision

For the reasons given above, I'm upholding Mr R's complaint about Specialist Motor Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 January 2024.

Gordon Ramsay
Ombudsman