

The complaint

Mr C has complained about charges Startline Motor Finance Limited (SMF) applied when he voluntarily terminated a hire purchase agreement he had with it. He's also unhappy with the way it administered the agreement.

What happened

The circumstances of the complaint are well known to the parties, so I won't go over everything again in detail. But to summarise, Mr C acquired a used car under a hire purchase agreement with SMF in October 2020. The car was around seven years old and had covered around 90,000 miles. It cost around £10,000 and the total amount payable was around £14,500. It looks like Mr C contacted SMF in December 2022 because he wanted to voluntarily terminate the agreement.

SMF arranged for the car to be collected and inspected in January 2023. The mileage was around 99,000. An inspection was carried out when the car was collected, and another one was carried out at the defleet centre. The collection agents noted damage of around £3,000. But after review this was reduced to £473.55. SMF said there was also a £5 shortfall in the voluntary termination figure, so it asked Mr C to pay £478.55. It wanted to charge Mr C for the following:

- Locking wheel nut missing - £51.22
- Sat nav media missing - £256.82
- Full valet - £50
- Front wiper blade broken - £20.75
- Front seat back cover torn - £36.76
- Rear bumper scuffed - £58.

Mr C says he contested the charge and this went in his favour so the account was closed with no outstanding balance. Mr C says a month later he received an email saying he still owed money. He said SMF had a second inspection carried out without notifying him. He said the car was in full working order and clean when it was handed back. Mr C complained and said the damage wasn't on the car when he handed it back. He said there was no problem with the rear bumper. The sat nav was working fine and so was the wiper blade. He also said the car was clean. He did acknowledge the car didn't have a locking wheel nut but said this wasn't a legal requirement.

SMF offered to knock off the cost for the rear bumper (£58) leaving Mr C owing £420.55. Mr C wasn't happy with the resolution so referred his complaint to our service. He says he doesn't owe any money to SMF, and he said he now has a default recorded on his credit file. To resolve the complaint, he requested the debt was cleared and adverse information removed from his credit file.

SMF said it thought the damage appraisal was fair and that Mr C remained liable. It said the car was sold at a lower price than it would have if it had been in full working order and in reasonable condition.

Our investigator looked into things and thought SMF should remove the charge for the locking wheel nut and full valet. She also thought the default should be removed and Mr C given a reasonable amount of time to clear the debt.

Mr C responded to say he could see the balance was nil on his credit report, and there was no default so he thought the complaint was resolved. SMF responded to say it accepted the ruling.

Our investigator thought there was a discrepancy between what Mr C was telling us and what SMF was telling us. SMF said £420.55 was outstanding. Mr C was unhappy and said he felt like he was back at square one.

As things weren't resolved, the complaint was passed to me to make a decision.

I wrote to SMF and asked if there'd been any other complaints raised by Mr C resulting in the charges being waived. I also noted SMF had told Mr C a default was recorded and that it had said the damage charges were separately accounted for. So I wanted to know if it had recorded a default for the £5 shortfall. I asked if it had a copy or more details from the inspection carried out when the car was collected from Mr C. I asked for more details about the sat nav media missing, and what the charge covered exactly. And I asked what the car subsequently sold for.

SMF responded to say Mr C had £5 owing to reach the voluntary termination point. It said it normally defaults customers if they don't pay the shortfall within 30 days, but as the amount was less than £70 it didn't report it on Mr C's credit file. It also explained an inspection was carried out when the car was collected but it wasn't as in depth as the check carried out at the defleet centre.

I didn't think this answered everything, so I contacted SMF again to specifically request more details about the sat nav media missing. SMF resent a copy of the inspection carried out at the defleet centre.

I issued a provisional decision that said:

I want to acknowledge that whilst I've summarised the events of the complaint, I've reviewed everything on file. If I don't comment on something, it's not because I haven't thought about it. I'm focussing on what I consider are the key issues.

Mr C acquired the car using a regulated hire purchase agreement, and our service is able to consider complaints relating to these sorts of agreements.

I agree the information about the default being recorded was slightly confusing. But SMF has said there's not been a default recorded because the shortfall balance was only £5. I can't see that money isn't fairly owed, but there's not been a default recorded, so I don't need to direct it to remove one. Mr C has said the complaint may have been resolved, but I've not seen evidence of that. SMF says the damage charges are fairly payable, so I'll go on to consider whether that's fair.

The agreement sets out Mr C was required to return the car in good condition if he was handing it back. And that Mr C would be required to pay all reasonable costs and expenses if any of the terms of the agreement were broken. So I think SMF was able to charge Mr C if he didn't hand back the car in good condition. But I'm mindful the car was 7 years old when it was supplied to him and had covered nearly 100,000 when it was handed back. It was nearly 10 years old, so it wouldn't be fair to treat the car the same as if it'd be returned at the end of its first leasing cycle.

After our investigator sent her view, SMF agreed to only charge Mr C for the following:

- Sat nav media missing - £256.82
- Front wiper blade broken - £20.75
- Front seat back cover torn - £36.76

These are the items I'll focus on. From the picture I've seen the wiper blade is clearly broken. On balance, I'm not sure the most likely thing to have happened is that the blade broke in between the two inspections. It may not have been picked up on the first inspection if it wasn't raining. It was either broken or right at the cliff edge of breaking while it was in Mr C's possession. Even though the car was 10 years old, it's important to have working wipers. It's a safety issue. So I consider this charge to have been fairly applied. I don't find a charge of £20.75 to be unreasonable.

The front seat is noticeably torn. Mr C hasn't specifically said this didn't happen while it was in his possession. It's unlikely this damage happened between the two inspections. Even though the car was nearly 10 years old, it looks like this will need some sort of repair. I don't find the charge of £36.76 to be unreasonable.

Finally, I've thought about the charge for the sat nav media missing. This is a significant sum to ask Mr C to pay. Mr C has said the car was returned with a working sat nav. I'm never going to know exactly what's happened. It would seem unusual Mr C would've decided to remove the sat nav media before handing the car back. I asked SMF for more details about this. An SD card for sat nav media can cost around £50 on the internet. I thought the charge it was applying was very specific, and for a significant sum. I wanted to know more about this charge to decide whether it was fair. SMF hasn't been able to show me any more details about the initial inspection. It's not explained more about how it reached this charge; exactly what it's for; or what repairs/replacements had to be carried out. It's also not shown me it's suffered a loss as a result of this. So in the circumstances, I'm going to propose this charge is removed as well. In the round I think this seems like a fair outcome.

Mr C responded to say he was happy with the decision. But he wanted to reiterate his credit report shows the agreement as settled and that he thought all the damage charges were unfair.

SMF responded to say the tear for the front seat was £367.60 but its internal matrix attributed 10% of this which is why the charge was £36.76. It said the sat nav system didn't exist at the time of inspection but was supplied with the car. It said the charge of £258.56 was applied in line with costings. It also said the suggestion a replacement being sourced for cheaper was fair, but that Mr C could have considered this before returning the car.

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.

I would like to thank the parties for their responses. I'll focus on these responses in this part of the decision. Mr C says the agreement is showing as settled on his credit file. I don't need to make any further directions for that. Although I set out previously I thought £5 was still outstanding. I also set out why I thought the wiper and the seat cover damage charges were fair. I remain of that view.

I've thought about what SMF has said. As I explained in my provisional decision, and in my email to SMF before writing that decision, I wanted to know more about the sat nav media missing charge. Mr C said the sat nav was working when the car was returned. SMF wasn't

able to supply evidence of a problem with it when the car was collected from Mr C and the initial inspection was carried out. The evidence we have the sat nav wasn't working is from the subsequent inspection. The evidence isn't definitive.

I asked more about what the charge covered exactly and whether SMF could evidence it suffered any sort of loss through repairs or loss in resale. But SMF hasn't supplied that evidence. It's simply told me that this is the cost it charges. For the avoidance of doubt, I'm not saying SMF should base its charges for sat nav media missing on the cheapest option that can be found on the market. I only wanted to highlight that if it was the SD card that needed replacing these can be found for a lot less than what SMF was charging Mr C. I wanted to know what specifically the charge was for to see if it was for an SD card or for something more substantial, but I've not been given further details.

In all the circumstances, in addition to the other findings in my provisional decision, I'm still of the view the charge for the sat nav media should be removed. I appreciate SMF is charging Mr C a lot less than it says it could have for the seat. But I'm mindful the car was nearly 10 years old, and SMF used its own matrix to decide that charge. I'm therefore not going to use that to give me the grounds to say the sat nav media missing charge should remain.

My final decision

My final decision is that I uphold this complaint and direct Startline Motor Finance Limited to remove the charges for the locking wheel nut, full valet and sat nav media missing.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 11 January 2024.

Simon Wingfield
Ombudsman