

The complaint

Mr E complains that RCI Financial Services Limited trading as Mobilize Financial Services ("RCI") wrongfully held him liable for an agreement when it should have been terminated.

What happened

Mr E entered into a hire agreement with RCI in January 2019 for the battery of his electric car. Mr E sold the car in July 2022. He said he correctly submitted a Battery Hire Transfer Document to RCI shortly after the sale of the car, and so believed he wasn't liable for any further ongoing payments.

Mr E said he received a late payment notification from RCI. So he contacted them and sent another copy of the transfer document. He said he was also in contact with the new owner of the car, but communication broke down.

RCI continued to chase Mr E for late payment. In October 2022, Mr E received a Default Notice which required him to make payment before 11 November 2022 to ensure no further action would be taken in respect of the breach. Mr E said RCI gave him two options. One option was that RCI would record a default against Mr E. RCI said they would then turn off the battery which would prompt the new owner to contact them. The second option was for Mr E to make a payment equal to the monthly payments that were appearing in arrears after he sold the car. Mr E said he made this payment before the date RCI requested to avoid any impact to his credit file.

Mr E said he also queried with RCI that if they still considered him liable for repayments to the agreement, then they should switch the battery off at his request, which would in turn prompt the new owner of the car to contact RCI. Mr E said RCI responded to him and explained their policy was only to switch batteries off once lease holders had been put into default.

Mr E said RCI still proceeded to place a marker on his credit file, resulting in his credit score dropping significantly. In November 2022, RCI told Mr E that his credit file would be corrected, but Mr E said it hadn't when he chased them in December 2022. He also believed his credit card limit was reduced as a result of the impact to his credit score. Mr E also said he was unable to proceed with a property re-mortgage.

Mr E complained to RCI as he believed he was assured his repayments he made after he sold the car would be refunded to him. RCI said they didn't agree to this.

RCI sent Mr E their final response. Within it, they said the battery lease hadn't been transferred when Mr E sold the car, so he was still liable for repayments under the lease agreement taken out with them. They explained RCI hadn't received the required signed documents from the new owner of the car, so the agreement with Mr E couldn't be terminated. RCI went on to say that they took steps to assist Mr E and contacted the new proposed agreement holder and they were pleased their actions resulted in the lease being successfully transferred. As a gesture of goodwill, RCI removed the late payment markers

from Mr E's credit file, but they declined to refund the lease payments made since the car was sold.

Mr E referred his complaint to our service. Our investigator found that RCI didn't need to do anything further. In summary, she said that RCI made it clear to Mr E that he needed to complete the Battery Hire Transfer Document and ensure it was completed before handing the car to the new owner. And, as the transfer hadn't successfully completed until later, RCI didn't need to refund any payments to Mr E.

Mr E disagreed with the investigator's findings. He accepted that he did not fully follow RCI's process when he sold the car. But he said he sent the Battery Hire Transfer Document to RCI a couple of days after the sale, but RCI didn't process it and so he had to resend it. Mr E also said RCI's process was impractical as it would have resulted in the buyer visiting him twice; firstly to complete the document and secondly to complete the purchase once the transfer was approved.

Mr E went on to say, among other things, that RCI told him that if he paid the overdue rentals by a certain date then they would not impact his credit score. And that they told him he would get refunded on these payments once the new owner of the car took out an agreement with them.

As Mr E disagreed, the complaint was passed to me to decide.

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.

Based on what I've seen so far, I'm not upholding this complaint and I'll explain why below.

Mr E acquired his battery under a hire agreement. This is a regulated consumer credit agreement and as a result our service is able to look into complaints about it.

Firstly, I have reviewed RCI's terms and the information they would have given to Mr E when he acquired his car. I have reviewed this information to consider whether RCI has fairly communicated and applied their own terms.

I have seen a copy of a letter Mr E would have been sent when he acquired the car in January 2019. Enclosed, would have been a FAQ document which explains what Mr E would need to do if he were to sell his car. It says that Mr E would need to complete the relevant Battery Hire Transfer Document. It also goes on to say that it is very important that Mr E follows these instructions and ensures that RCI has confirmed that the transfer has been processed before he releases the car to the buyer, otherwise he will remain liable for the battery hire payments.

RCI has also sent our service other letters Mr E would have received which give similar instructions to ensure the process is completed correctly if Mr E intended to sell the car.

I'm satisfied that Mr E's ongoing liability for both the battery and monthly payments due under the credit agreement were clear – he was liable for both until such time as the new hirer had signed their agreement with RCI and this had been confirmed by them.

Mr E sold the car before the Battery Hire Transfer Documents were sent to RCI and unfortunately the buyer of the car stopped communicating with Mr E. Mr E has also agreed

he did not fully follow RCI's process. He said he believes RCI's process was impractical as it would have resulted in the buyer having to visit him twice.

Whilst I can understand Mr E's concerns here and that he was being asked to pay for the hire of a battery that was no longer in his possession, RCI were not being paid either, and they had warned Mr E of the consequences of selling the car before the transfer of the hire was complete. So, I don't think RCI were unreasonable to continue charging for the hire.

Taking all this into account, I'm satisfied that Mr E needed to keep making monthly payments – he was responsible for them until RCI confirmed the liability for the battery had been transferred. And when he had stopped making payments, RCI was legally obliged to accurately report these arrears to credit reference agencies. Mr E has confirmed that these has since been removed by RCI as a gesture of goodwill.

I now turn to what Mr E was told by RCI when he enquired about making payment for the arrears accrued and I have noted that this is the crux of Mr E's complaint.

Mr E received a Default Notice in relation to the arrears. Mr E says RCI assured him that if he was to make payment before the deadline set in his Default Notice, then his credit score wouldn't be impacted.

Mr E requested call recordings from RCI of calls he held with them. Mr E has provided our service with a copy of those recordings. After Mr E said he would make payment so his credit file isn't impacted, I have noted RCI say:

"...can we have that payment from you, just so that we can have your agreement running and normal so your mortgage application isn't impacted..."

In another call recording provided, Mr E asks whether RCI can confirm that there won't be any trace on his credit file, now that payment has been made. RCI say:

"...the trace will be removed..."

Our service asked RCI why Mr E's credit file was impacted when he made payment and cleared his arrears before the deadline set. RCI responded and said the negative markers Mr E is referencing is likely relating to late or missed payments, but not a record of a default.

Mr E has provided our service of a screenshot which shows this account on his credit report. From what has been provided, I can't see a default being recorded, but rather late payment markers. But either way, Mr E says the recording of this information – whether a default or a late payment marker – has had a negative impact on his credit score.

Having listened to the calls, I think it is likely RCI were referring to a default not being applied to Mr E's credit file, as arrears were paid before the deadline given in the Default Notice; rather than referring to late payment markers being removed from Mr E's credit file.

As I've already said above, RCI was legally obliged to accurately report these arrears and late payments to credit reference agencies. And RCI has since removed these markers from Mr E's credit report. Considering everything here, while I accept RCI suggested that if payment was made, then Mr E's credit score would not be impacted, I think they have done more than they needed to in this instance to correct their mistake.

I've noted Mr E's concerns that it had an effect on his ability to secure a re-mortgage and it may have impacted his credit limit with a third-party credit card issuer. I appreciate the markers have now been removed, but for the future, Mr E might, however, be interested to

know that he can place a "Notice of Correction" on his credit records. The purpose of such a notice is to allow someone the opportunity, in this case Mr E, to add any explanatory circumstances that they would like prospective lenders to take into consideration when making lending decisions. And if he wishes to do this in the future, Mr E should contact the credit reference agencies directly.

Mr E also says he was told he would be refunded payments since the car was sold once the buyer signed an agreement with RCI. Mid-way through one of the call recordings Mr E provided our service, RCI say:

"...but we will be back-dating that agreement once we do get through to... and we'll be able to refund you these months..."

RCI later told Mr E this wouldn't be possible and even said they didn't agree to saying this to him.

I accept Mr E was given incorrect information here and led to believe he would receive a refund for some of the payments he made. But I don't think this means RCI needs to honour what they said and refund payments for making a mistake. As I've already said, I think Mr E was liable to make these payments. And given RCI has already amended Mr E's credit file, when I don't think they needed to, I don't think RCI needs to do anything further.

I appreciate my outcome will be disappointing to Mr E. But I do hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 1 September 2023.

Ronesh Amin
Ombudsman