

The complaint

Mr K complains about the balance that was outstanding after Startline Motor Finance Limited terminated his hire purchase agreement.

What happened

In July 2022 Mr K entered into a regulated hire purchase agreement with Startline in respect of a used car. The car's cash price was £15,991. The Total Amount Payable under the agreement was £24,768:72. Mr K paid a deposit of £500, and he was to make 48 monthly payments of £505:39 (and a £10 fee).

A few months later, following a natural disaster in another country, Mr K went there to help his family, who had been made homeless. As a result, he was unable to work and had no income. He fell behind on his monthly payments. He asked Startline several times to refinance his agreement, but they always refused. Eventually, the agreement was terminated. Startline collected the car, and it was sold at auction for £12,000. After that, the outstanding balance on Mr K's account was £9,165:59.

Mr K complained to Startline about how much he owed. He said he had only had the car for a year, so it was not fair to charge him four years' interest. But Startline told him that under the terms of the agreement, it was entitled to charge him all sums due under the agreement, including all of the interest.

Being dissatisfied with that answer, Mr K brought this complaint to our service. But our investigator did not uphold it; he agreed that Startline had calculated the correct balance. Mr K asked for an ombudsman's decision.

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 have read the hire purchase agreement. Clause 10.1.4 says that if the agreement is terminated by Startline, then Mr K must "immediately pay to us all outstanding Repayments and other sums due under this Agreement." I think that is broad enough to include the whole of the Total Amount Payable, which includes all of the interest. His liability wasn't capped at only the sums that were payable before the agreement was terminated.

That also includes the fee that Startline charged him for collecting the car. Clause 10.1.5 says "you will pay all costs and expenses (including all our reasonable legal costs) we incur in retaking possession of, storing and transporting the Vehicle and in enforcing any of the terms of this Agreement."

I have seen the statement of account (and Startline has already sent Mr K a copy). The £12,000 sale proceeds have been deducted from the balance. The outstanding balance is correct.

It follows that I am unable to uphold this complaint. But I would like to take this opportunity to remind Startline that as Mr K is in financial difficulty, it has to treat him positively and sympathetically, and it should try to come to some arrangement with him about how the debt is to be paid. Mr K should provide Startline with details of his finances when Startline asks him to.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 September 2024.

Richard Wood
Ombudsman