

The complaint

Miss C complains that Stellantis Financial Services UK Limited trading as Vauxhall Finance misallocated her payment and then didn't provide a reasonable service when she contacted it about this.

What happened

Miss C entered into a conditional sale agreement with Vauxhall Finance in July 2021 to acquire a used car. Under the agreement Miss C was required to make 60 monthly repayments of around £186.

Miss C says that there were arrears on her account, and she had agreed a payment scheme with Vauxhall Finance where she paid £150 each month towards reducing her arrears. This payment was additional to her monthly instalments of around £186. She says that she paid her October 2023 monthly instalment, on 26 September 2023. At this time, she said she had £79.33 outstanding in arrears which she believed was due on 1 November 2023. But on 5 October 2023, she received a text from Vauxhall Finance saying she had underpaid for the month by £79.33. She called Vauxhall Finance to discuss this and was told that the first £79.33 of her October payment had been used to clear the arrears which meant her monthly instalment was £79.33 short. She explained this wasn't correct but says this was misunderstood. She says that she then didn't receive a reasonable level of service while trying to address the payment issue (with promises of returned calls not being made and a lack of understanding of the issue she was raising) and further charges were added to her account.

Miss C says this issue has caused her anxiety and stress at a time when she was trying to recover from surgery. She is also concerned that the issue will affect her credit score.

Vauxhall Finance issued a final response to Miss C's complaint dated 9 October 2023. It provided a history of the repayments on Miss C's account and confirmed that after receipt of £150 on 22 September her agreement was £79.33 in arrears. It said all charges had been applied correctly and in line with the account terms.

Miss C referred her complaint to this service. She said that her complaint had been misunderstood by Vauxhall Finance.

Our investigator upheld this complaint. He set out the payments Miss C had made up to 22 September and noted these had been confirmed by Vauxhall Finance. At this point Miss C's account was £79.33 in arrears. He then noted Miss C's explanation that due to upcoming surgery she decided to log in to her account and pay her October monthly instalment early. The payment left Miss C's account on 26 September. This payment was then allocated to clear the arrears with the remainder going towards her monthly instalment. Our investigator didn't see evidence that Miss C was told this would happen and thought it reasonable that she would expect this payment to be for her October instalment. He noted Miss C's comment that she had incurred additional fees due to the misallocation and asked for further details from Vauxhall Finance, but this wasn't received.

Due to the issues raised and the upset caused by the ongoing chasing for payment, he recommended that Vauxhall Finance correct the balances on Miss C's account to reflect the payment made for her monthly instalment and amend her credit file to reflect this. He also recommended that Vauxhall Finance pay Miss C £150 compensation for the upset this issue has caused her.

Following our investigator's view, Vauxhall Finance confirmed that Miss C's account had been brought up to date by the November 2023 payment. It confirmed that no late payment fees had been applied only overdue interest. It also raised concerns about amending Miss C's credit file.

Our investigator responded to Vauxhall Finance's comments asking that a note be added to Miss C's account about the payments and asking for Vauxhall Finance to confirm that overdue interest was only charged on the £79.33 that should have remained outstanding in September 2023. He clarified that the credit file only needed to be amended if markers had been added suggesting the payment plan hadn't been adhered to as a result of how Miss C's September payment was allocated.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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 can understand how frustrating this issue has been for Miss C, especially given she was trying to make payments early so as to avoid the stress of dealing with her account while she was undergoing surgery and recovery. I also note Miss C's comment about her anxiety and how this issue has affected her, and I have taken this into account when assessing this complaint.

Vauxhall Finance has explained that in April 2023, Miss C's account was in arrears following a period of non-payment. On 3 May 2023, a payment plan was agreed, with Miss C making a £100 payment on 9 May 2023 followed by monthly payments of £150 on top of the monthly instalment amount. Miss C made £150 payments on 6 June, 1 July, 2 August, 29 August, and 22 September. This reduced the arrears on her account to £79.33. Based on the requirement for monthly payments, it appears that Miss C made her payments for the months of September and October 2023 early (on 29 August and 22 September respectively). Therefore, I accept that Miss C wouldn't expect to need to make a further payment towards her arrears until 1 November 2023.

Miss C had also made her monthly instalment payments on 1 June, 1 July and 2 August 2023. Then she made an instalment payment on 31 August 2023 which would be for her September 2023 instalment. Miss C then decided to make an early payment due to her having surgery planned and not wanting to have to make payment during that period. She made a payment on 26 September 2023, and I find it reasonable that she would have expected this to be allocated to her October instalment. However, Vauxhall Finance didn't do this and instead used part of the payment to repay the outstanding arrears which left the October payment £79.33 short.

As I find that Miss C wasn't aware that her 26 September payment would be allocated in part to her arrears, I can understand how upsetting she found it when she was told there was an issue with her October payment. I can also understand why she was frustrated by her concerns not being understood and I do not find she was provided with the service she

should have been when she was trying to understand what had happened on her account.

Overall, based on what I have seen, I do not find that Miss C has received the service she should have. I think it reasonable that her 26 September payment would have been used to pay her October instalment and I can see she then paid the remaining arrears and her November instalment on 1 November in line with what had been previously agreed. Because of this, I find that Vauxhall Finance should amend her account to ensure that it reflects what would have happened had the 26 September payment be used to pay the October instalment and the arrears cleared as part of the 1 November payment as per the payment plan.

This issue has caused Miss C stress and inconvenience. Miss C has explained her health conditions and that she suffers from anxiety, and I can understand how this issue and the way Vauxhall Finance has dealt with it will have been particularly distressing for her. I also note that this payment issue happened at a time when she was undergoing and recovering from surgery. Given all this I find that Vauxhall Finance should pay Miss C compensation and I think the £150 our investigator recommended is reasonable.

Putting things right

Vauxhall Finance should:

- Ensure Miss C's account is amended (or notes added) to show she made her payment in full for the October 2023 instalment (payment made on 26 September 2023);
- Ensure Miss C's account is amended (or notes added) to show she maintained the payment plan set up to clear her arrears with the final arrears payment made on 1 November 2023;
- Remove any late payment fees or interest applied as a result of the 26 September payment being split and not fully allocated to the October instalment payment;
- Remove any adverse information from Miss C's credit file that may have been recorded as a result of Vauxhall Finance splitting the payment made on 26 September 2023. Miss C's credit file should reflect that she paid her October 2023 instalment in full and on time and that she maintained her arrears payment plan.
- Pay Miss C £150 to recognise the distress and inconvenience this issue has caused to her.

My final decision

My final decision is that I uphold this complaint. Stellantis Financial Services UK Limited trading as Vauxhall Finance should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 25 October 2024.

Jane Archer
Ombudsman