

The complaint

Ms R complains about the charges that PSA Finance UK Limited (PSA), applied when she handed back a car she had acquired under a hire purchase agreement.

What happened

In February 2017, Ms R entered into a hire purchase agreement with PSA to acquire a used car that was first registered in the UK in November 2014. The cash price of the car was around £8,895. The agreement was set for a duration of 38 months. And the car mileage on delivery was approximately 18,959 miles.

On 27 May 2020, Ms R handed back the car, and it was inspected at the auction on 17 August 2020. In the report it was noted that Ms R needs to pay £1,375.78 for damages to the car and missing items. PSA felt that the damage to the car was outside of fair wear and tear. Ms R disagreed as she didn't think the charges were fair.

In October 2020, PSA wrote to Ms R. In this correspondence they said that she was overcharged, so they reduced her bill by £500. They said this was based on the fact that she confirmed to them that only one service was completed during the three-year duration. Regarding the other charges for damage and missing items, PSA concluded that those were applied fairly.

Ms R was still unhappy with PSA, so she brought her complaint to our service.

Our investigator thought the complaint should be upheld. He thought that PSA should further reduce Ms R's bill to £675.78 to reflect only one missed service instead of two. But he thought the remainder of the charges have been applied fairly.

PSA agreed with the investigator, but Ms R disagreed. So, the complaint has been 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.

In considering what's fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered to have been good industry practice at the relevant time.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

I also want to acknowledge that I've summarised the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key

issues to reach a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Ms R acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. Ms R's agreement with PSA sets out that she needs to keep and maintain the car in a good state of repair and condition.

When reaching my decision, I'm required to consider relevant industry guidance. Here, the relevant guidance includes the guidelines on fair wear and tear published by the trade body the British Vehicle Rental & Leasing Association (BVRLA). The BVRLA guidance is generally intended for new cars that have been returned at the end of their first finance agreement, so it's used mainly to consider damage to cars that are a few years old. But it can also be used for older cars, where the age of a car and the number of miles it has covered are taken into account, and when considering what would be deemed fair wear and tear. I've also considered that the BVRLA guidance is just that - guidance. While I take it into consideration, I also need to take into consideration what's fair and reasonable in the situation here. So, I think it's fair that any damage is assessed by considering whether it's reasonable to expect this type of damage, given the car's age, and its mileage.

The car was around three years old, when Ms R acquired it. It had travelled approximately 18,959 miles and had a cash price of around £8,895, which I think, most likely, was consistent with a car in a good condition. When Ms R handed back the car in May 2020, it was approximately six years old and had travelled around 34,782 miles. So, I've taken all of this into consideration when reviewing the initial inspection report, which was done when the car was collected, and the inspection report that was completed by the auction house later on. And in deciding whether PSA have acted fairly in relation to each charge, I've taken into consideration the terms and conditions of the hire purchase agreement, BVRLA's guidelines, as well as the age and mileage of the car when it was returned.

Front bumper

The BVRLA guidance sets out that surface scratches of 25mm or less, where the primer or bare metal is not showing are acceptable, provided they can be polished out, and provided that there are a maximum of up to four surface scratches on one panel. The picture of the front of the car provided by Ms R, doesn't allow me to see the same angle and zoom as accessed by the pictures taken at the auction. So, based on Ms R's pictures I'm unable to see the affected area clearly. But based on the pictures taken from by the auction, I can see that there are multiple scratches (significantly more than 4) on the corner of the front bumper. So, I consider these to be representative of damage that is outside of fair wear and tear.

The BVRLA guidance sets out that mouldings or trims should not be broken, cracked, or deformed. Once again, I can't examine this part of the car from the pictures provided by Ms R as they don't provide the same angle, but from the pictures taken by the auction I can see that the front bumper is misaligned. So, I think this too is damage that is outside of fair wear and tear.

Left-hand front tyre

The BVRLA guidance sets out that there must be no damage to the sidewall or tread. From the pictures provided in the auction inspection report, I can see that there is damage to the sidewall of the tyre which looks like a cut. When zooming in on the pictures provided by Ms R, I can see what most likely appears to be the same cut. So, this is damage which I consider to be representative of damage that is outside of fair wear and tear.

I think most likely all three of the listed above damages are more than fair wear and tear considering the circumstances. So, I'm satisfied it's fair and reasonable for PSA to charge for these damages a total of £192 (the bumper damage: £48+£50 and the tire damage: £94). And the actual charge itself doesn't seem unreasonable.

Ms R said she didn't hand the car back with the damage that was outside of fair wear and tear. She feels that the damage must have been done after the car was collected due to the length of time before the inspection was done by the auction house. Also, she said that shortly before the car was collected, she had a full service completed, and the car had been to a body shop.

I'll never know exactly when the damage was caused, so I reach my conclusion on the balance of probabilities. That being when did the damage to the car in question most likely happen? Was it before or after the car was collected? So, I've considered that Ms R is adamant that the damage wasn't there before the car got collected, but I've also considered that Ms R travelled a total of around 15,823 miles in the car and had it for about three years, compared with the time the car was at the auction house - two months and three weeks. So considering everything, I don't feel I can say that, most likely, the car was damaged after it was collected considering the time, the miles the car travelled, and considering that I've not been given sufficient evidence to show otherwise.

I acknowledge the initial inspection, which was completed when the car was picked up, doesn't highlight any specific damage. However, this was an initial inspection which was not as detailed and thorough as the one later completed by the auction house. There is no pictures for this inspection, and not all the fields of the form have been completed; such as for example the amount of miles the car had registered on the odometer. So, I think the initial inspection could've been done better, but it doesn't automatically mean that the damage wasn't present or that the missing items were in the car. Hence, I don't think PSA is acting unreasonably by saying that Ms R is responsible for the damage to the car that is outside of fair wear and tear, as reported on the inspection report done by the auction house.

Also, I understand that Ms R is unhappy that it took PSA approximately two months and three weeks to do a full car inspection. But due to the government guidelines around Covid-19 I don't think it was unfair for PSA, and businesses operating on their behalf, such as the auction house, to adapt their ways of working to the pandemic. I know it was an unprecedented and unusual time for everyone, with a lot of businesses experiencing delays. So, I can't say that the time taken to inspect the car was unreasonable, considering the specific circumstances of this case.

Missing items

PSA are charging Ms R for the following missing items:

- Compressor (£140);
- Puncture repair kit (£43.78); and
- V5c (£100).

Ms R said that she returned the V5c document. But the initial inspection report noted that the V5c document was missing, and I've not been provided with any evidence that would allow me to say that most likely the V5c document was returned. So, I think it was fair for PSA to charge Ms R the £100 for this missing item.

The other two items that were missing were the compressor and the puncture repair kit. Ms R says that she has never used either of these two items, and that she 'would have no idea what or where these were in the car'. She also said that the initial damage inspection

didn't note these items as missing. But the initial damage inspection doesn't mention these items, and it doesn't have a specific field on the form for verifying whether these items are missing or not. So, I think most likely these were not checked if they are missing or not until the full inspection was completed by the auction house.

In addition, considering that these items form part of the standard equipment for this car model, I think most likely the supplying dealer made sure that they were included at the time Ms R took possession of the car. And Ms R's finance agreement states that she should only accept the delivery of the car if it is satisfactory, and if the car doesn't meet specifications or is unsatisfactory, she should notify PSA immediately. So, I think it was Ms R's responsibility to make sure that she received these items when she took possession of the car, and I've not been presented with any evidence that allows me to conclude that these were not in the car when she took delivery of it. Hence it's fair for PSA to charge her for these two missing items.

PSA also initially charged Ms R £100 for a missing key, but they have since reduced the total amount owing by this amount. I think this is fair as the initial inspection report noted that two keys were returned.

Missing service history

PSA initially wanted to charge Ms P £800 for a missing service history. This amount was £200 for every missed service. They later reduced this to £400 because they said that she missed two services. Ms R had the car for three years, so she needed to complete three annual services during this time. PSA said that Ms R only completed one service during this time because, they said, that when she logged her complaint, she told them only one service had been done, but they are unable to provide us a copy of this call. Ms R disputes this and told us that she had completed two services and provided a copy of the receipt for one of the services, which was completed in March 2020. She said the other service was completed after she had the car for about a year and she provided us details of the garage that did the service, but she now doesn't have evidence of this as this has been some time ago – which I don't think is unreasonable considering the amount of time that has passed.

Ms R is also adamant that the proof of the two services completed was evident on the service history which she said was returned with the car when it was collected. So I now have to decide on balance of probability whether Ms R completed two or one services during the three years she had the car. I think, based on Ms R testimony, including the detail she has provided about where the service was done, and without any evidence to the contrary, I think most likely she did complete two services. And even if I'm not right on this issue – which I think I am – I don't think it would be fair or reasonable now to charge Ms R for two missing services. The reason for this is because the service history is now missing, but I can see that the initial inspection report when the car was collected did note that it was returned with the car. So, this evidence would show how many services were completed, had it not been lost while the car was in PSA's possession. Hence, overall, I'm satisfied that PSA should only charge Ms R for one missing service, which I also understand that PSA is no longer disputing as they agreed with the investigator's assessment of Ms R's complaint.

While I realise that my decision will come as a disappointment to Ms R, looking at all the evidence available to me, I think on balance, it's fair and reasonable for PSA to charge her a total of £675.78 for the two missing items, one not completed service, and the damage listed on the auction house inspection report. So, I'm only directing PSA to remove the one £200 charge for the annual car service.

My final decision

For the reasons set out above, my final decision is that I uphold Ms R's complaint and direct PSA Finance UK Limited to:

- To reduce the outstanding amount due from £875.78 to £675.78.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 8 April 2022.

Mike Kozbial
Ombudsman