

The complaint

Mr M complains about the end of contract charges in relation to a car that was supplied to him through a hire agreement with Arval UK Limited (AUL).

What happened

The circumstances surrounding this complaint and my initial findings were set out in my provisional decision which said:

In November 2015 Mr M hired a new car through a personal hire agreement with AUL. Mr M paid an advanced rental of £420.84 which meant that the subsequent payments were £140.28 payable over 47 months. AUL confirmed that the monthly repayment cycle for Mr M's agreement ran from the 23rd to the 22nd of each month.

Mr M said he contacted AUL in May 2020 to enquire about terminating his agreement early. AUL provided copies of an email trail that confirmed Mr M's contact with them and their response in early June 2020. AUL provided Mr M with details of how to terminate his contract and the necessary forms to enable him to do so. The termination charges were confirmed as £211.36 before VAT. AUL also provided a copy of an email showing that Mr M had returned the early termination forms to them on 7 June 2020.

Mr M says that as the car was due to be collected, AUL told him they'd suspend the agreement once they received an image of the current mileage of the car, and that no further monthly rentals would be debited. Mr M provided a copy of an email from AUL confirming this. On 14 June 2020 Mr M sent AUL an email with an image of the car's mileage and location.

In May 2021 Mr M received an email from AUL's collections team saying that he had an overdue payment of £253.51. In June 2021, following a concern raised by Mr M, AUL advised him that as the car had been sold on 29 June 2020, to a neighbour of his, they no longer needed to arrange a collection of it. AUL said that as the sale occurred on 29 June 2020, Mr M would be liable for the month's rental up to 22 July 2020.

Mr M complained to AUL disputing the amount he had to pay to terminate the agreement. Mr M said AUL told him his contract was terminated on 9 June 2020, which meant he only had to pay the rental up to the 23 June 2020. Mr M felt that his July 2020 rental should be deducted from the early termination costs which would leave him to pay around £109.

On 14 June 2021 AUL provided their final response to Mr M's complaint. AUL didn't uphold Mr M's complaint. AUL advised that the original arrangement had been made based on the car being collected, however as the car had been sold on and not collected by them, his agreement hadn't been terminated until 29 June 2020, meaning he was liable to pay for the monthly rentals up to 23 July 2020.

Unhappy with their outcome, Mr M brought his complaint to this service for investigation. Whilst the complaint was with us, AUL made an offer to Mr M, to waive the outstanding early termination charge of £253. Mr M declined the offer saying that due to the length of time the

situation has been ongoing, he believed he was due compensation for the distress and inconvenience he'd been caused.

One of our investigators looked into Mr M's complaint and gave their view that AUL had acted fairly, so didn't think that the complaint should be upheld. Our investigator felt that the initial arrangement related to a collection and not the sale of the car. He also believed the offer from AUL to waive the outstanding charges was fair in the circumstances.

Unhappy with the investigator's view, Mr M asked that his complaint be referred to an ombudsman for a final decision.

In May 2022 I issued a provisional decision in which I said:

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 is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

The agreement in this case is a regulated hire agreement. As such, this service is able to consider complaints relating to it.

My starting point is that Mr M requested an early termination of his hire agreement on 7 June 2020. This is evidenced by the email trail provided by AUL. AUL emailed Mr M on 11 June 2020 to confirm that once they'd received the image of the car's odometer, his account would be suspended until they could collect the car. They confirmed that once this was received, no further monthly rentals would be debited. Mr M sent the images of the car and its odometer reading to AUL on 14 June 2020 and advised that he believed his contract would be cancelled at that point. On 15 June 2020 AUL contacted Mr M to advise that the car had been processed for early termination. Considering this I'm satisfied that it was reasonable for Mr M to believe that his agreement would be cancelled on 14 June 2020 with no further rentals being taken.

On 15 June 2020 AUL emailed Mr M to advise that his neighbour had expressed an interest in purchasing the car. Mr M emailed AUL the same day to give his permission for AAUL to discuss the sale with his neighbour and reiterated that he'd arranged for the contract to be terminated. So, I'm persuaded that Mr M was still under the impression that the terms of his early termination remained the same. In addition, an internal email from AUL confirmed that the early termination had been accepted on 9 June 2020.

In their file submission and in their final response, AUL explained that as the car was being sold and not collected, the terms of the termination had changed and so the date of sale would become the date of termination, meaning Mr M would have to pay the monthly rentals for that month. As the sale date was confirmed as 29 June 2020 AUL believed Mr M was liable for the rental payment up to 22 July 2022. I think it's worth noting that in an email from AUL dated 14 July 2021 they referred to Mr M having sold the car; I think there may have been some confusion here which may have created some degree of misunderstanding. However, although this may be the case, I find that Mr M was specific in his correspondence that he believed his contract would be cancelled prior to 23 June 2020, and that he wouldn't have to make the following months rental payment.

As the terms changed during the termination process, as a result of AUL's decision to sell the car, I think it would have been reasonable for AUL to have informed Mr M about the

changes. Particularly as Mr M reiterated his belief that his contract was ending, and that the change in terms would mean that he'd have to pay more than what was agreed.

The Financial Conduct Authority (FCA) sets out 11 principals for businesses which all regulated firms must adhere to. Principal seven says: 'A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading'.

I haven't seen any evidence to suggest Mr M had been informed of the changing terms, for example within any documentation sent to him during the termination process. So, I'm persuaded from the evidence provided that AUL should have done more to ensure Mr M knew about the change in terms.

As I've found that AUL should have done more, I'll be instructing them to put things right for Mr M. When Mr M requested to end his contract, AUL sent him his early termination estimate, which quoted the amount payable. As Mr M decided to early terminate his contract, I think it's fair that Mr M is expected to pay that amount. However, as I've determined that he'd already paid an additional months rental, from June to July 2020, I think this amount should be deducted from the initial quotation.

I acknowledge that AUL had already offered to waive the early termination fee. I think this is fair in the circumstances and also accounts for the inconvenience caused to Mr M throughout this process.

Mr M explained that he's had sleepless nights worrying about the impact this would have on his family, and career. I'm sorry Mr M would have experienced this, however from the evidence provided I can't see that Mr M had actually lost out financially or materially as a result of this. I can also see that there was a period of time from around ten months where Mr M had believed that the contract had been satisfactorily settled, until he received notification from AUL in May 2021 that he had an outstanding amount to pay. So, overall, I'm satisfied that waiving the early termination charge is fair in that it means Mr M had contributed around £126 towards the termination of his contract with AUL.

I'll also be instructing AUL to ensure that no adverse information is recorded on Mr M's credit file in relation to the termination of this agreement.

I invited both parties to make any further comments.

AUL responded to say they'd no further information to add to my provisional decision. Mr M also responded to say he didn't have anything further to add to my provisional decision, but said he felt it was AUL's responsibility to discuss any changes to the cancellation of his agreement, and that he'd been caused mental and emotional stress as a result of the AUL's refusal to accept their responsibility.

Now both sides have had an opportunity to comment, I can go ahead with my final 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 still consider my provisional decision to be fair and reasonable in the circumstances. Neither party has added anything which gives me cause to change these. I acknowledge the emotional and mental stress Mr M says he's been caused by AUL and I'm sorry to learn of this; however, in the circumstances and from the evidence provided, I'm satisfied that by

waiving the early termination charges, AUL will have reasonably compensated Mr M for any inconvenience caused to him.

So, for the reasons as set out above and in my provisional decision, I'm satisfied that my provisional decision is a fair outcome in the circumstances. So, my final decision is the same.

My final decision

Having thought about everything above, along with what is fair and reasonable in the circumstances, I uphold this complaint and instruct Arval UK Limited to:

- Clear the outstanding early termination charges in relation to Mr M's agreement
- Remove any adverse information that may have been recorded with the credit reference agencies in respect of the termination of Mr M's agreement with them

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 July 2022.

Benjamin John
Ombudsman