

The complaint

Ms C has complained about the termination of her car finance agreement with Volkswagen Financial Services (UK) Limited ('VWFS').

What happened

In August 2018, Ms C entered into a finance agreement with VWFS for a car. The amount of finance was £13,948.26, with monthly repayments of £203.08.

Ms C has explained that in May 2020, she entered into an informal agreement with VWFS to reduce the repayments to £150 a month. This continued until January 2021, when Ms C resumed her full repayments. However, Ms C contacted VWFS in August 2021 and was told her agreement had been terminated. Ms C was unhappy with this, as she'd made repayments every month, and wanted to pay the £504 that was outstanding.

VWFS said it hadn't done anything wrong. It said it had sent Ms C a default notice in July 2021. It didn't hear back from Ms C so, after the notice expired in August, it terminated the agreement.

Ms C brought her complaint to our service, as she felt VWFS had acted unfairly by ending the agreement. She also said that when the car was collected, personal belongings had been in it.

One of our investigators looked into what had happened. And although he sympathised with Ms C's circumstances, he didn't think VWFS had done anything wrong. In summary, this was because:

- when Ms C contacted VWFS on 16 August 2021, her agreement was in arrears by £504, and had been terminated on 6 August when the default notice from 17 July expired;
- although there'd been an informal agreement for reduced payments starting in May 2020, the arrears had still been accruing, so VWFS had sent default notices on 13 May 2021 and 17 July 2021;
- the notice sent on 17 July said Ms C needed to pay the arrears, or contact VWFS, by 5 August, otherwise the agreement would be terminated and the car repossessed; and
- Ms C didn't contact VWFS until 16 August, by which time the agreement had been terminated.

Ms C disagreed. She said that when she spoke to VWFS about the reduced repayments, she was told the 'arrears' wouldn't be classed as arrears, but would be added on to the end of the agreement. She also wanted to know where the personal items left in the car have gone.

The complaint was then passed to me. I wasn't minded to uphold the complaint, and issued a provisional decision, asking both parties to respond with any further submissions. In my provisional decision, I said as follows.

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I know the situation has been very distressing for Ms C, and I sympathise. But I've had to consider whether VWFS behaved unfairly, and I don't think it did. I'll explain why.

I'm satisfied that VWFS sent Ms C two default notices, and it was entitled to end the agreement when the arrears weren't satisfied, and it didn't hear from Ms C by the date of 5 August 2021, which had been stipulated. I'm also satisfied it had shown reasonable forbearance, as Ms C had been given 'breathing space' with a period of reduced repayments. Also, Ms C could have contacted VWFS to discuss her situation, by 5 August as requested, but she didn't. I understand that she was having a difficult time, but hadn't contacted VWFS for a considerable time, despite default notices and a number of text messages.

As regards what would happen with the arrears, I can see that on Ms C's call with VWFS in May 2020, she asked about adding the sums to the end of the agreement/as part of the balloon payment. VWFS responds that it isn't doing that as yet, but it may be a possibility in the future. But this was never agreed. So I can't agree that the arrears didn't need to be paid back until the end of the agreement.

I've also looked at Ms C's concern about her personal belongings, which haven't been traced. As Ms C had received notice of the termination, and complied with the agent who collected the car, I'm satisfied she had the opportunity to remove any personal belongings. So, I don't think it would be fair to hold VWFS responsible for anything missing after the event.

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VWFS responded to say it had nothing to add.

Ms C said she disagreed with my provisional decision. In summary, she said:

- she was told in her very first call that the outstanding sum would be added to the balloon repayment;
- she didn't receive the notices, and did try to call back, but nobody returned her calls; and
- she's a vulnerable person.

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.

Having done so, I'm not upholding this complaint. This is for the same reasons as I set out in my provisional decision.

The call I have listened to is very clear in setting out that VWFS would not be adding the outstanding sum to the balloon payment. As this is the call where the reduced repayments are agreed, I don't think Ms C would have reasonably thought differently. I appreciate that

things can become muddled, particularly in stressful circumstances. But I'm satisfied that – in the call where the reduced repayments are agreed – the position was made clear to Ms C.

As regards whether Ms C received the notices, I'm satisfied, on balance, that she did. A large number of reminders were sent, in different formats (e.g. email and text), so I'm not persuaded that she wouldn't have been aware that the outstanding sum needed to be paid, and by when.

I'm sorry that Ms C has experienced a difficult time. I don't underestimate this. But I feel VWFS behaved reasonably, by agreeing to reduced repayments. It also asked Ms C to contact it to discuss things, but I have no evidence that she did.

I know this will be very disappointing, but I'm not upholding this complaint.

My final decision

For the reasons given above, it's my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 19 April 2023.

Elsbeth Wood
Ombudsman