

The complaint

Mr C complains about a settlement figure given to him by Raylo Group Limited, when he wanted to end a hire agreement.

What happened

In January 2022, Mr C entered into a hire agreement with Raylo, so he could use a brand new mobile telephone device. Under the agreement, Mr C was contracted to make monthly payments of £43.39 to Raylo, over a two year period.

Around seventeen months after taking out the hire agreement, Mr C contacted Raylo to get a settlement figure. Raylo told Mr C that to end the agreement before it's contractual end date, he needed to have made the equivalent of eighteen months of payments. And since Mr C had already made seventeen payments, a further amount of £43.39 would be due.

Raylo also explained to Mr C that if he wanted to keep the device, he would need to pay a non-return fee of £530.99.

But, Mr C disputed the settlement figure and complained to Raylo. He said Raylo had added interest, which wasn't part of his agreement, or in line with early settlement regulations. In their response to Mr C's complaint, Raylo explained that the agreement was a hire agreement, so interest hadn't been applied at any time. Mr C didn't accept Raylo's response and brought his complaint to us.

To try and resolve matters, Raylo contacted us and reiterated that if Mr C wanted to keep the device, he could do so by paying them £530.99 before the end of the contract. Or, they said Mr C could keep the device for £269.99, after the end of his contract. Raylo also said that as Mr C had made payments for over eighteen months, he could now return the device and end the agreement without any early cancellation fee.

One of our investigators looked into Mr C's case and found that Raylo had treated Mr C fairly. He said Mr C was contracted to hire the device from Raylo for a monthly hire amount and was now able to hand the device back to Raylo, without further fees. The investigator concluded that Raylo hadn't added any charges or interest to the settlement figure and were able to charge a fee for the device, if Mr C wanted to keep it.

Mr C didn't agree with the investigator and said his contract with Raylo was misleading. Mr C also said the hire agreement didn't conform to early settlement regulations and that Raylo didn't give him any pre-contract information, setting out the charges and interest.

The investigator was satisfied that Raylo hadn't made any errors or treated Mr C unreasonably. So, the investigator didn't change his conclusions and now Mr C's complaint has been passed to me to make a 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.

This case is about a hire agreement that Mr C took out with Raylo, which is a regulated financial product. As such, we are able to consider complaints about it.

Mr C has explained that he thinks Raylo have unfairly calculated an amount of interest and then added that amount to the settlement figure they gave to him. So, I've considered what the agreement says about interest, and what happens in the event that Mr C wanted to end the contract early.

I've looked at the hire agreement between Mr C and Raylo. Having done so, I cannot see that there is any term or condition which allows Raylo to apply interest to any balance outstanding on the agreement. I think the agreement simply allows Mr C to use a mobile telephone device owed by Raylo, so long as Mr C makes the contractual monthly payments. In other words, the agreement isn't interest bearing.

With this in mind, I'm not persuaded by what Mr C has told us about how a settlement of the agreement should be calculated. I don't think what Mr C says about an interest rebate is relevant to the agreement he signed with Raylo. So, I've considered what settlement charges Raylo told Mr C they would apply, to make sure they have treated him fairly.

Page seven of Mr C's agreement with Raylo gives the details of Mr C's cancellation rights. Section ten, paragraph two says:

"After the expiry of the 30 day cancellation period you must give us the minimum of one month's notice if you wish to terminate this agreement and return the goods to us in accordance with clause 7 (Return of the Goods). You may also have to pay us an Early Cancellation Charge calculated as the balance of Hire Payments that would be payable up to a term of eighteen (18) months."

I can see from Raylo's records that they gave Mr C a settlement figure in June 2023, some seventeen months after the hire agreement was taken out. I can also see that Raylo told Mr C that the settlement figure was £43.39, if he wanted to hand the device back. In other words, an amount equivalent to Mr C's regular monthly payment. Their reasoning for this, was that Mr C's agreement had one month to go, before a term of 18 months had passed since it had started.

In all the circumstances, I think Raylo gave Mr C the correct information when he contacted them in June 2023. I don't think Mr C's agreement is misleading on the cancellation point and I think Raylo were clear when they tried to explain the settlement figure to Mr C. So, I think Raylo treated Mr C fairly when they gave him the settlement figure to cancel his hire agreement.

I've also considered the charges outlined in the agreement if Mr C chooses not to return the device.

Section seven of the agreement continues onto page seven, where it says:

"We may charge you the following fees as compensation if you fail to return the Goods to us in the following periods after the Dispatch Date:

- *Between 1 and 23 months - £530.99*
- *Between 24 and 35 months - £269.99*

- 36 or more months - £1”

Mr C’s agreement with Raylo was due to last for 24 months. So, I think this means that during the agreement, Mr C had the option to either return the device to Raylo, or he could keep the device and pay a fee of £530.99. If Mr C were to keep the device after the end of his 24 month agreement, I think Raylo were able to charge a fee of £269.99

I think the agreement Mr C has with Raylo sets out the costs involved, if the device isn’t returned. From looking at the correspondence between Mr C and Raylo in June 2023, I also think Raylo were clear in explaining the costs when Mr C contacted them about cancelling the contract. So overall, I think Raylo have treated Mr C fairly.

I’m aware that Mr C’s hire agreement is likely to have ended, given that it’s been over two years since he entered into it. Raylo say that Mr C now has the option to return the device to them without an early cancellation charge. Or it seems he’ll be able to keep the device and pay £269.99. Therefore, I leave it to Mr C to decide what option he’d like to take and for him to talk to Raylo about his preference.

Having considered all the evidence, I think Raylo treated Mr C fairly, when he spoke to them about cancelling his hire agreement. So, it follows that I don’t think Raylo needs to take any further steps to resolve this complaint.

My final decision

My final decision is that I don’t uphold Mr C’s complaint about Raylo Group Limited.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C to accept or reject my decision before 29 March 2024.

Sam Wedderburn
Ombudsman