

The complaint

Mr B complains that KINTO U.K. Limited ("KINTO") are holding him liable for additional road fund licence costs under a hire agreement he has with them.

What happened

In October 2021, Mr B ordered a car with a broker. On 24 August 2022, the broker e-mailed Mr B saying the car would be delivered to him on 6 September 2022. The e-mail said the P11d cost for the car was £36,760. Mr B says that when he originally ordered the car, the list price was the same figure.

The broker arranged finance for Mr B and he entered into a hire agreement with KINTO on 5 September 2022.

Mr B received an e-mail from the broker on 5 September 2022 saying there was an issue with the road fund licence pricing at KINTO's end but that this wouldn't affect him. However, in September 2023, KINTO sent Mr B an invoice for £405 which they say represented an increase to the road fund licence applicable to his car. Mr B subsequently learnt that he was liable for this extra amount for each year he had the car, because its list price had increased to over £40,000 when it was registered.

Mr B complained to KINTO. He said that nobody had told him the list price of the car had increased and this must have been known before he acquired it. He said he wouldn't have entered into the deal had he known this because the extra yearly cost exceeded his budget.

KINTO replied saying they had spoken to the manufacturer of the car who had confirmed the P11d value had increased to £40,975. They also said that their contract with him allowed them to recharge the difference between the amount budgeted for the road fund licence and the actual cost of this. KINTO said they would reduce the £405 charge for 2023 to £80 but would recharge the full amount each year in the future.

Mr B wasn't happy with KINTO's response, so he referred his complaint to us. Our investigator didn't recommend that it should be upheld. She said, in summary, that Mr B's hire agreement allowed KINTO to pass on any increase in road fund license to him. And that KINTO would only have known about the increase to this after the car had been registered. So, she didn't think KINTO had acted unfairly.

Mr B didn't agree with the investigator's view. He said KINTO and/or their agent (i.e. the broker) should have given him the correct P11d value and that he wouldn't have signed the contract had he known the revised value.

As the matter remains unresolved, Mr B's 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.

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

Mr B's complaint revolves around having to pay an increased road fund licence, which is more commonly referred to as road tax, so to keep things simple I've referred to it as that for the remainder of this decision

According to the road tax information provided on gov.uk, cars registered on or after 1 April 2017 must pay a first-year tax rate of which the calculation is based on the vehicles CO2 emissions. The subsequent years tax is a flat rate based on its fuel type. However, it also says that vehicles with a list price in excess of £40,000 would have to pay an additional amount annually from year two, for the following five years.

The terms of Mr B's hire agreement say:

LICENSING AND REGISTRATION

We will pay for the annual vehicle excise licence. The fee for this is calculated at the rate applying on the date of this Agreement. We will reimburse you if the fee goes down in later years or you will on demand pay us the extra amount if it goes up.

So, I'm satisfied that the road tax charge applied to Mr B's repayments were in accordance with the terms of the hire agreement. I'm also satisfied that KINTO was (and is) entitled to hold Mr B liable for the increase as I've not seen evidence to show that the car's list price when registered was incorrectly set in excess of £40,000.

I fully understand why Mr B feels he should have been told the list price had increased. However, I'm not convinced that it was incumbent on KINTO to have done this bearing in mind Mr B hadn't dealt with them or discussed the proposed transaction with them at any point. Rather, it was the broker who Mr B dealt with, and I don't consider that the broker acted as KINTO's agent here. I say this noting that there is a section in the hire agreement which says:

'Any Centre, operator, broker or manufacturer (even if described as an agent) who has been involved in the transaction is not our legal agent, and we are not responsible for anything they have said, done or not done unless we have specifically authorised it in writing or unless the law otherwise makes that person our legal agent'.

I've seen no evidence that KINTO authorised the broker in writing to act as its agent. Nor have I seen that the broker acted with actual or apparent legal authority on behalf of KINTO. As such, there is no basis on which I could hold KINTO liable for the actions of the broker here.

I realise this will come as a disappointment to Mr B and that he will feel he is being penalised unfairly here. I do sympathise with him about what's happened. But, for the reasons I've given above, I don't think KINTO acted unfairly and so I won't be upholding Mr B's complaint.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 August 2024.

Daniel Picken

Ombudsman