

The complaint

Mr W complains about incorrect information given to him about the cost of voluntarily terminating his hire-purchase agreement with BMW Financial Services (GB) Limited trading as MINI Financial Services ("MINI").

What happened

Mr W was about eighteen months into a 4-year hire-purchase agreement with MINI. He contacted the lender in February 2024 as he was thinking of exiting the agreement in favour of getting a different car through a workplace scheme. In response to his query about the cost of voluntarily terminating the hire-purchase in August, MINI said it couldn't provide statements so far in advance. But it worked out that Mr W would have to make five further monthly payments of £550.19 (in other words, a total of £2,779.62) in order to reach the 50% required to exercise voluntary termination.

On the strength of what MINI told him, Mr W entered into his workplace scheme and placed an order for a car to be delivered in August. The net cost to Mr W of the scheme (depending on mileage) was around £450.

But when Mr W called MINI in March to make arrangements for handing back the car, he was told it had made a mistake in the figure it had given him. MINI said the correct sum for voluntary termination was £8,609.08. Mr W complained, noting that the misinformation meant he wouldn't be able to meet both obligations and would cause him financial hardship.

MINI acknowledged that it gave Mr W the wrong information. It apologised and offered Mr W £75. Mr W was dissatisfied with MINI's response and referred his complaint to us.

Our investigator felt that the problems caused to Mr W by the misinformation were such that it would be appropriate for MINI to allow Mr W to terminate the agreement without having to pay more than he was originally told. She also considered that the level of distress Mr W had been caused warranted compensation of £150, rather than the £75 MINI had offered.

MINI wasn't willing to agree to the investigator's recommendation. It said that while the information may have been slightly confusing, under the agreement the correct voluntary termination sum due was 50% of the total amount payable. MINI said it didn't see that the human error warranted the resolution our investigator proposed. It didn't propose an alternative sum. Our investigator wasn't persuaded to reach a different outcome, so the matter has been passed to me for review and determination.

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 basic facts in this case aren't in dispute. The hire-purchase agreement sets out matters relating to the exercise of voluntary termination, including the amount Mr W would need to pay to do so. That was half of the total amount payable, stated as £19,212.50. MINI accepts

it misinformed Mr W about how much more he would need to pay in order to voluntarily terminate the agreement. And Mr W entered into a new financial arrangement based on what MINI had told him.

I don't think it's right to describe what happened here as being slightly confusing. Mr W called MINI asking how much more he would need to pay to terminate the agreement. MINI itself recognises that this was a straightforward question and one that it should have been able to answer correctly without any real difficulty. It failed to do so. I accept that was down to human error, but whatever the reason for that mistake, the consequences were significant. Mr W committed to a new arrangement and in doing so, materially changed his financial position. He now faces at least a year of having to make payments for two agreements, totalling around £1,000 per month, simply because he quite reasonably relied on what MINI told him.

That's not a fair position for Mr W to be placed in. I further note that in terminating the agreement, MINI would get back the car rather earlier than it would otherwise have done. I can't exclude the possibility that this might mean it attracts a higher resale value from which the lender would benefit.

Taking all of this into account, I'm satisfied that MINI hasn't dealt with Mr W fairly and that its proposed resolution is not a reasonable way to resolve his complaint.

Putting things right

In my view the appropriate way to resolve matters is for Mr W to pay MINI the £2,779.62 it told him was due (I believe he has already done so), and for MINI to collect the car and treat the hire-purchase agreement as being at an end, with no further payment due from Mr W other than for any excess mileage or damage for which he would be contractually liable in any event.

Bearing in mind that Mr W's payments under the salary sacrifice scheme are now due, MINI should ensure it takes action promptly to avoid any possible detriment to Mr W's credit file. If any missed payment information has been or will be recorded by MINI in relation to Mr W's account, then subject to Mr W having paid the £2,779.62 I've mentioned, this should be amended to show all required payments have been made.

It's clear that the matter has been the source of some concern and distress to Mr W. I find that the £150 our investigator proposed is an appropriate sum for MINI to pay Mr W in recognition of this.

My final decision

My final decision is that I uphold this complaint. To settle it, BMW Financial Services (GB) Limited trading as MINI Financial Services must, within 28 days of receiving Mr W's acceptance of this decision, take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 October 2024.

Niall Taylor
Ombudsman