

The complaint

Mr S complains that Oodle Financial Services Limited trading as Oodle Car Finance (“Oodle”) acted unfairly when it terminated a hire purchase agreement in February 2024.

What happened

Mr S entered into a hire purchase agreement with Oodle in December 2019. Under the agreement he borrowed £10,499 to fund the purchase of a used car. He agreed to repay what he had borrowed in 60 monthly instalments of £284.35.

Mr S successfully made the majority of his contractual repayments until December 2022 but then appears to have faced some difficulties paying what was due. Mr S appears to have restarted his repayments in March 2023, and made some additional monthly payments towards the arrears he had built up. But his repayments continued to be somewhat erratic throughout the remainder of the year.

In October 2023 Oodle wrote to Mr S to tell him that it was defaulting his agreement. It asked him to pay the full arrears that he had built up amounting to £1,659.15. It warned Mr S that if he didn't pay the arrears it might take further action including terminating the agreement and repossessing his car. In February 2024 Oodle told Mr S that, since he had failed to pay the arrears, it had terminated his agreement. Oodle started its process to repossess Mr S' car, but placed the activities on hold whilst we considered this complaint.

Mr S complained to Oodle about what had happened. He said that he had kept in touch with the firm at all times and had paid what he had agreed. He said that the failed payments were due to Oodle not collecting direct debits that he had authorised. Oodle didn't agree that it had done anything wrong. It said that Mr S' car had not had a valid MOT since December 2023, and that was a requirement of the agreement. And it said Mr S had broken at least four payment arrangements that had been agreed. Whilst it apologised for any problems with the direct debit collections, Oodle told Mr S there were other ways his payments could have been made. And it said in any case not having a valid MOT could not be attributed to any direct debit problems. Unhappy with that response Mr S brought his complaint to us.

Mr S' complaint has been assessed by one of our investigators. He thought that it had been reasonable for Oodle to terminate Mr S' hire purchase agreement when he breached its conditions. And he thought that Oodle had clearly set out the consequences of breaching the agreement in the default notice it sent in October 2023, and the termination letter it sent the following February. So the investigator didn't think Oodle had done anything wrong.

Mr S didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr S and by Oodle. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Mr S was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

When Mr S was first supplied with the car he was given a copy of the hire purchase agreement and the terms that it contained. Particularly relevant to this complaint are terms relating to Oodle's rights should Mr S not make the payments due under the agreement, and the responsibilities of Mr S to keep the car in good working order and in accordance with the law.

It is clear that Mr S has faced problems making his monthly repayments. He did sometimes get in touch with Oodle about those problems and has, over the years, provided a number of explanations. In situations such as those the regulator would expect Oodle to take steps to ensure that Mr S was treated fairly, with forbearance and with due consideration. It provides firms with a number of examples of this sort of behaviour including the consideration of reducing or waiving future interest charges, allowing the payment of arrears to be deferred, or accepting token payments for a reasonable period of time.

I can see that Oodle did allow Mr S to reschedule some of his repayments. And it offered him the opportunity to repay some of his arrears in smaller monthly instalments. But it is my understanding that the regulator's guidance isn't intended to leave debts outstanding for an indefinite period of time. Instead the requirement for lenders to show forbearance and due consideration to consumers who are facing financial difficulties is to allow a reasonable period of breathing space for consumers, facing an unexpected fall in their disposable income, to review their options.

So I think that Oodle did meet the regulator's expectations when Mr S said that he was facing problems making his repayments. I can see that at least four different payment arrangements were agreed. But Mr S failed to meet the terms of those agreements. So I think that Oodle acted reasonably when it decided to default Mr S' agreement in October 2023.

I have considered that Mr S says he didn't receive the letter about the default from Oodle. But Oodle has provided us with a copy of the letter it sent to Mr S. That letter appears to be correctly addressed and sent to the address that Mr S provided us with in relation to this complaint. Whilst undoubtedly some letters do go astray, I cannot fairly conclude that Oodle didn't take reasonable steps to advise Mr S it was defaulting his agreement.

As part of its investigations into Mr S' agreement, Oodle became aware in February 2024 that the car's MOT had expired. It is a fundamental term of the hire purchase agreement that Mr S makes sure that "any tests or inspections required by law or by the insurer are carried out." Mr S says that he wasn't driving his car so decided to not complete the MOT testing when it became due in December 2023. But that wasn't his choice to make – the car remained the property of Oodle, and Mr S had agreed to look after it in line with the terms of the agreement. So I cannot conclude that Oodle was wrong to consider Mr S to have broken the agreement by allowing the MOT on the car to lapse.

Mr S has said that he would have expected Oodle to let him know that an MOT was due or outstanding. But I'm sorry to tell him I don't agree. It seems he was aware of the need for a car over three years old to have an annual MOT. He arranged an MOT for the car in November 2020, December 2021 (although three weeks after it was due), and in December 2022 (another three weeks late). So it seems to me that Mr S was well aware his car would need an MOT in December 2023, and it was his responsibility to ensure it took place.

So I am satisfied that it was reasonable for Oodle to conclude, in February 2024, that Mr S had breached the terms of his hire purchase agreement. He had failed to make the repayments that were contractually required. He had failed to meet the revised repayment arrangements that Oodle had agreed in response to his financial difficulties. And Mr S had not ensured that the car had a valid MOT as required by the agreement.

So, although I understand this will be disappointing for Mr S, I don't think Oodle did anything wrong when it decided to terminate the hire purchase agreement.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Oodle Financial Services Limited trading as Oodle Car Finance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 December 2024.

Paul Reilly
Ombudsman