

The complaint

Mr S complains about a charge that has been levied by Leasys UK Ltd following the end of a hire agreement that he had with the firm.

What happened

In September 2019 Mr S was supplied with a new car by Leasys via a hire agreement. Mr S agreed to make 48 monthly payments under the agreement of £254.39. At the end of the agreement Mr S returned his car to Leasys.

Leasys asked Mr S to pay some additional charges at the end of his agreement. It said the car had an incomplete service history. It said that there was some damage to the car that it wouldn't consider to be normal wear and tear. And it asked Mr S to pay for three additional days that he used the car after the end of the agreement. Mr S complained to Leasys about those charges.

Leasys reviewed the charges that it had asked Mr S to pay. It decided to waive the costs for the damage it had noted on the car. And Mr S agreed to pay the charge for the additional days he had used the car. But Leasys told Mr S that it thought the charge it had made for the missed service was fair. It told him that he wasn't being charged for a quantified loss in the value of the car – just for a “missing service”. 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 the missing service was reasonably required on Mr S' car. And he thought the charge that Leasys had imposed was fair. The investigator didn't think Mr S was due any refund for the lower than expected mileage he had travelled in the car. So the investigator didn't think the complaint should be upheld.

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 Leasys. 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 agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it. The agreement that Mr S signed sets out some terms and conditions that apply to his use of the car over the four years of the agreement. Of particular relevance to this complaint is section 8. Those terms read;

8.2 The Hirer will be responsible for and will pay the full cost of servicing and maintaining the Vehicle at all times in good condition.

8.3 Without prejudice to the generality of clause 8.2 the Hirer will ensure
(a) that the Vehicle is regularly serviced and maintained by an approved agent in accordance with the manufacturers recommendations
(b) that the service book and records for the Vehicle as supplied by the manufacturer are promptly stamped by the approved agent as soon as all the necessary or appropriate works of service or maintenance have been carried out

Mr S has provided Leasys with the records of the services he had done on the car during the period of the agreement. Those show that the car was serviced in 2020, 2022, and 2023. Mr S initially told Leasys that Government restrictions due the coronavirus pandemic meant he was unable to arrange the service due in 2021. And Mr S later told our investigator that the manufacturer didn't require a service to be completed at that time in any case.

Firstly I am not persuaded that Government restrictions would have prevented Mr S from arranging a service in 2021. The restrictions were at their highest in 2020 – during which time Mr S did successfully arrange for his car to be serviced. And whilst there were still undoubtedly some restrictions in 2021 they are unlikely to have prevented a service taking place on the car at, or around, the time it was required.

Mr S has provided some information from the manufacturer of his car. That shows that the car should have its engine oil changed at least once every year. And it shows that further, more detailed, service activities should be performed after two years of use, and annually thereafter. In order to comply with section 8.3(a) above, I think Mr S would need to complete all of those activities.

Mr S has said that he considered the requirement for a service after two years of use to have been fulfilled by the servicing he arranged in 2020 (after one year of use). I don't agree with that conclusion. The requirement was for a service to be completed after two years of use had passed – not as Mr S says, during that two-year period. And in any case, the required annual oil change was not completed in 2021. So I think it reasonable for Leasys to conclude that Mr S had failed to comply with the maintenance requirements of his hire agreement.

So I now need to consider whether the charge Leasys has imposed, of £200, is reasonable. I will first set out the basis on which I think it reasonable for end of agreement charges to be assessed. Some charges will be based on the actual costs of repairing damage that is present on a car. Other charges might be based on an actual, or assumed, loss of value when a car is sold. And, as in this case, more routine items such as missing service records or other documentation might attract a predetermined charge.

I don't think the amount that Leasys has charged Mr S for the missed service is unreasonable. In my experience the charge is in line with that levied by other similar lenders operating in this area of the market. I cannot therefore reasonably conclude that it is unfair, or not representative of normal industry practice.

I don't think Leasys needs to demonstrate to Mr S that it has suffered an actual loss due to the missed service before imposing this charge. And I think it would be difficult for evidence to be produced to show that. The car that had been supplied to Mr S will have been resold. But the price of that sale will incorporate many more factors than just the service history of the car. It would be impossible to determine which of those many factors had an impact on the selling price of the car.

Mr S has also asked that we consider that Leasys is likely to have benefited from the way he used the car. The agreement that Mr S signed allowed him to travel a total of 20,000 miles in the car. When the car was returned it had covered just under 15,000 miles. So it is possible that the lower mileage might have meant the car had a greater resale value.

But Mr S' hire agreement didn't provide any basis on which he might be refunded some of the rental costs if he didn't use the car as much as he expected to do when he signed the agreement. The full mileage was available to him to use. So I don't think Leasys needs to account for any additional sale proceeds it might have received in that regard. And in any case, for the same reasons I set out above, it would be difficult to determine whether the lower mileage did actually result in a higher residual value for this specific car.

I appreciate how disappointing this decision will be for Mr S. But I am satisfied that he didn't maintain the car in line with the manufacturer's recommendations. And given that conclusion I think it reasonable for Leasys to make a charge for that failure. I think the charge that Leasys has asked Mr S to pay is reasonable and in line with normal industry practice. I don't think Leasys needs to specifically demonstrate a loss in the residual value of this particular car in order for the charge to be fair.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Leasys UK Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 December 2024.

Paul Reilly

Ombudsman