

## **The complaint**

Mr L complains that CA AUTO FINANCE UK LTD (then called FCA Automotive Services UK Ltd) over inflated the future value of the car he acquired through a Personal Contract Purchase (PCP) agreement leaving him in a vulnerable position when his circumstances changed. He said that when he contacted CA Auto Finance it didn't properly consider his complaint or look to offer a fair resolution.

Mr L wants a fair resolution to his complaint that allows him to exit his agreement.

## **What happened**

Mr L entered into a Personal Contract Purchase (PCP) agreement with CA Auto Finance in March 2023. The agreement had a term of 30 months with a total amount repayable of £41,535.03. Mr L was required to make 29 monthly repayments of around £314 followed by a final payment of £31,927.

Mr L said that the agreement was explained to him at the time and the pre-contract information provided. However, his circumstances then changed, and he looked into his options for an early exit from his agreement. When he did this, he said that the guaranteed future value of the car he acquired had been over inflated. He said this left him in a vulnerable position.

CA Auto Finance set out the information Mr L was provided at the point of acquisition including the details of the key agreement terms. It said checks were undertaken to assess the affordability of the agreement including verifying Mr L's income and said the agreement was affordable. It said a settlement letter was sent to Mr L on 27 January 2024 and explained how this was calculated.

Mr L wasn't satisfied with CA Auto Finance's response. He said it didn't properly consider his complaint or provide a fair resolution to the issues he had raised. He referred his complaint to this service.

Our investigator noted the information contained in CA Auto Finance's response and said it was unfortunate that this didn't also include details of voluntary termination. He explained that Mr L could return the car once he had paid half of the total amount owing and that his agreement explained this. He further explained that these rights are set out in section 100 of the Consumer Credit Act 1974.

Our investigator noted Mr L's comment about the guaranteed future value but didn't think that CA Auto Finance had done anything wrong in regard to this. He said that the guaranteed future value meant that if the car reduced in value the finance provider would cover the shortfall. He didn't find that this had caused Mr L any detriment and noted that he had been given relatively low monthly repayments which was why the final payment was large. He understood that Mr L wanted to pay the remaining monthly instalments under his agreement and then be allowed to exit the agreement as he believed this would be a reasonable way to resolve the issue. However, our investigator explained that the agreement didn't work that way and that it operated in line with the regulations.

Our investigator noted the comments Mr L had made through the investigation about the Consumer Duty. He explained under the Consumer Duty the consumer outcomes in relation to consumer understanding and consumer support apply before, during, and after any sale of a product, and to all communications from a firm to a customer, regardless of the channel used. He found that one of Mr L's key information needs was to understand what the settlement figures would be and to understand how the guaranteed future value had been calculated. While he was given the settlement figure this would allow him to keep the car which wasn't the outcome he wanted. He said that by not being given information about the voluntary termination Mr L was caused further frustration and anxiety. Because of this he recommended that Mr L be paid £150 for the distress and inconvenience he had been caused.

CA Auto Finance accepted our investigator's view.

Mr L didn't agree with the outcome. He said that our investigator's response suggested that the guaranteed future value could be set at any amount and there was no regulation of this. He also said that he had offered to make an overpayment to CA Auto Finance, and it had refused which wasn't correct. Further, he said that in regard to Consumer Duty, CA Auto Finance had not responded to his requests and not acknowledged him as a vulnerable consumer. He said he had made a fair offer of giving the car back 12 months early and repaying his monthly instalments, but this had been refused. He said that he didn't think this showed that CA Auto Finance was providing good practice in response to his cry for help and wasn't providing him with a fair outcome.

Our investigator responded to Mr L's comments. He said that the issue here was that Mr L wanted to terminate his agreement early and that in such cases CA Auto Finance was allowed to request that he meet the voluntary termination payment.

As a resolution hasn't been agreed, this case had been passed to me, an ombudsman to issue a 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.

Mr L entered into a PCP agreement with CA Auto Finance in March 2023. He said that the agreement was explained to him at the time and the pre-contract information provided. Therefore, I have no reason to believe that Mr L wasn't made aware of the terms of the agreement he was entering into. CA Auto Finance has set out the affordability and creditworthiness checks it undertook before the agreement was provided and these appear reasonable.

Mr L has explained that his circumstances changed, and he looked into his options for an early exit from his agreement. He then noted the guaranteed future value of the car and after looking into the car's value at that time said he found this have been over inflated. He said this left him in a vulnerable position and while he believed he had made reasonable offers to CA Auto Finance about exiting the agreement these had been refused.

I have considered the comment Mr L has made about the guaranteed future value of the car and note the type of agreement Mr L entered into. PCP agreements are a type of hire purchase agreement and they usually have smaller monthly payments and a larger balloon payment at the end. The balloon payment is linked to the guaranteed future value. In this case, the guaranteed future value at the end of the agreement was set at £31,917. The

amount of this final payment will have enabled the monthly repayments to be set at the rate they were, around £314.

Mr L is only required to make the final payment if he wishes to keep the car at the end of the agreement. If the car isn't worth this amount at that point, he can hand back the car and any potential loss would be for the finance provider. In such circumstances, Mr L will have benefitted from the monthly payments being lower during the agreement term than would have been the case had a lower final payment been due. So, on that basis, I cannot say that Mr L was disadvantaged by the guaranteed future value being set at the level it was.

That said, I understand the point that Mr L has made about the large balloon payment and that as his circumstances have changed, he isn't now able to exit without paying a large settlement amount. I can see how upsetting this situation has been for Mr L, and I note the comment he has made about being a vulnerable consumer and CA Auto Finance's lack of responsiveness to his request and offers for settlement.

But I also note that the agreement sets out the termination rights and explains that Mr L can exit the agreement with nothing further owing if he has paid at least half of the total amount payable (along with certain other criteria). This amount is set out in the agreement as £20,767.51. The requirement to pay half of the total amount outstanding is in line with the regulations (section 100 of the Consumer Credit Act 1974) and as this information was clearly set out, I think Mr L had the information available to him to understand this situation before entering into the agreement.

The agreement was entered into before the Consumer Duty took effect, but Mr L has raised this in regard to the experience he has had with CA Auto Finance. As our investigator explained, under the Consumer Duty the consumer outcomes in relation to consumer understanding and consumer support apply before, during, and after any sale of a product, and to all communications from a firm to a customer, regardless of the channel used. Therefore, I find it a relevant consideration in regard to the response CA Auto Finance provided to Mr L when he contacted it following his change in circumstances.

Under the Consumer Duty a firm is required to give a consumer the information they need, at the right time, and presented in a way they can understand. I do not find this happened in this case. Mr L wanted to discuss exit options and was concerned about the large balloon payment and how the guaranteed future value had been calculated. CA Auto Finance provided a settlement quote but didn't take on board Mr L's specific request (noting he didn't want to keep the car) and didn't address all the issues Mr L had raised. Had it done so I think this would have assisted Mr L in understanding his options. Because it didn't provide the service it should have, Mr L was caused unnecessary distress and inconvenience and because of this I agree with our investigator that CA Auto Finance should pay Mr L £150 compensation.

### **Putting things right**

CA Auto Finance should (as it has agreed) pay Mr L £150 compensation for the distress and inconvenience he was caused by CA Auto Finance not providing him with the assistance it should have when he asked about exiting his agreement early.

### **My final decision**

My final decision is that CA AUTO FINANCE UK LTD should take the action set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or

reject my decision before 25 February 2025.

Jane Archer  
**Ombudsman**