

The complaint

Miss C complains about the administration of a finance agreement she had with AA Financial Services Limited ('AA'). Miss C has been unable to make the repayments to the agreement due to her personal situation, and she thinks that AA hasn't administered this agreement fairly when this happened.

Miss C is represented by a family member. I've referred to all the correspondence as being from Miss C for ease of reading.

What happened

In 2023, Miss C entered into a franchise agreement to run a driving instruction business. As part of this she agreed to lease a vehicle.

Miss C started the hire agreement in February 2023. The documentation I've seen says that the vehicle hire agreement is regulated by the Consumer Credit Act 1974. This agreement had a deposit of £170 and an administration fee of £180. And there was a minimum hire term of 24 months during which a weekly payment of £194 needed to be paid.

Miss C contacted AA in 2024 as she was expecting to start a family within this year. At first she was told that the agreement could be 'paused' when she did this. And the hired vehicle could be collected.

Miss C did start a family, but she had some related medical complications, and she was unable to work. It was anticipated that she would be unable to work for longer than she initially expected. Miss C did not have an alternative means of earning money, or insurance, to cover her loss of earnings over this period.

When Miss C informed AA of her situation she was initially told the agreement wouldn't be paused. She then raised a complaint with AA and it responded saying that, in her circumstances, it would be happy to pause the payments Miss C was due to make for a month. The contract would then be extended by a month. I understand Miss C didn't agree to this and she didn't 'sign' the amended franchise and hire agreement.

Miss C brought her complaint to the Financial Ombudsman Service. Our Investigator didn't uphold Miss C's complaint. He said that under the hire agreement that was entered into, AA had no obligations to extend, pause or defer any payments. And so he didn't think that AA had acted incorrectly in the way it had handled Miss C's situation.

Miss C didn't agree with the Investigator. She said that she had been offered a collection of the vehicle twice verbally with no charge and there was a lack of clarity as to how her future employment (to be clear Miss C is self-employed) would work within the driving instruction business. Miss C said she would not have agreed to have the car collected if she was still going to be charged for it.

I understand the contract has now been terminated and AA has collected the car. It has informed Miss C of the amounts that she will need to repay but collection of this money is

currently on hold. Because Miss C hasn't agreed to how AA has considered her complaint, this matter has been passed to me to make a final 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.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider was good industry practice at the relevant time.

The agreement in this case is a regulated hire agreement – so we can consider a complaint relating to it. AA is the supplier of the goods under this type of agreement.

To be clear I can only consider the issues Miss C has raised in respect of how they apply to the vehicle hire agreement. I can't consider any other parts of the franchise agreement that Miss C entered into as part of her self-employment as this is not an agreement regulated by the Financial Conduct Authority ('FCA'). And so, I do not have the power to consider it.

I can see a large part of the dissatisfaction Miss C has with AA concerns how it has handled her period of absence in relation to the support she feels an 'employer' should have given her. I won't be able to consider these issues here.

I've been provided with the hire contract. And there isn't any automatic provision for a period of deferment, for example if Miss C's circumstances were to change. But AA has an overriding duty to treat its customers fairly and there are detailed rules and guidance given by the regulator, as in the FCA's handbook as part of CONC 7, which says how customers who fall behind with repayments should be treated and what measures can be reasonably used in this case, this does include things like deferments and payment breaks and holidays. So I've considered if AA has acted fairly below.

I understand that Miss C initially contacted AA about wanting to start a family, and she asked if AA would provide support for about two weeks after the birth of a child. She was told there was a possibility of the contract being deferred, but this would only usually be used for medical conditions. The contract would be extended for this period of deferment.

The initial complaint arose because Miss C feels that this information is misleading. But whilst the initial hire agreement doesn't contain provision for this kind of arrangement. It is common, when there are credit repayment problems, that payments can be deferred in this way. And this is what AA was able to offer to do. So, I don't think it was necessarily misleading to say this was a possibility.

Miss C had her baby in 2024 and she fell behind with the hire payments. She told AA about this in July 2024, and I've been provided with the correspondence she received about the arrears and the situation with the hire car.

AA sent Miss C letters about the arrears that were building up regarding the hire agreement in July, August and September 2024. I don't think this is unreasonable as AA did need to inform Miss C about these arrears. There could be serious consequences for her for non-payment of the credit.

In July 2024, AA proposed that the hire contract was suspended for a month. And in September 2024 it proposed that the hire (and franchise) agreements were suspended for three months. As far as I can see these arrangements were not put in place due to a lack of

response or agreement from Miss C. I think it's reasonable to say this happened as she wanted AA to help in a different way, such as collecting the car and pausing the agreement for longer.

But I think it's fair to say that AA had taken on board Miss C's situation and tried to help here, it has offered to amend the mutual contract and I think this was reasonable. I think this was fair and demonstrated that it was acting with forbearance in respect of Miss C's problems.

As agreement wasn't reached the car has now been collected and I understand that the hire agreement will cease. AA may take steps to recover the remaining amounts under the agreement.

Miss C doesn't think this is reasonable and she would have liked the agreement to be paused and for her to return to work in early 2025. She would have liked the hire contract to be extended to accommodate the time she was unable to work and make the payments to the credit.

Overall, when Miss C entered into the hire agreement she agreed to make the monthly payments as above for a minimum of 24 months. Unfortunately, she was unable to do this. And under the terms of the agreement AA could enforce it and ultimately terminate it. It's hasn't acted outside of the terms of the contract or unfairly when it has done this.

It also is relevant to say that AA seems to have tried to contact Miss C several times about the arrears to agree a way forward. And it has provided amended contracts for her to agree to. But I understand these were not returned. I think it's reasonable to say that this hasn't helped the situation.

Having considered everything, I don't think that AA has acted unfairly and I'm not upholding her complaint.

I understand Miss C is going through a period of ill health and I hope things improve for her. It also seems that she will owe AA a debt. AA should bear in mind Miss C's personal situation when it arranges for her to repay this.

I appreciate this will not be the answer Miss C wants and I hope my decision not to uphold her complaint is not too distressing for her.

My final decision

For the reasons set out above, I don't uphold Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 9 May 2025.

Andy Burlinson
Ombudsman