

The complaint

Mr C complains about charges applied by MotoNovo Finance Limited after he voluntarily terminated a hire purchase agreement.

What happened

In July 2022, Mr C was supplied with a used car under a hire purchase agreement through MotoNovo. The cash price of the car was £6,595. He paid a deposit of £295, and the agreement was for £6,300 over 48 months; with 47 monthly payments of £176.83 followed by a final payment of £177.83. At the time of supply, the car was around nine years old and had travelled 48,000 miles.

In July 2024, Mr C made a payment of £201.49 to voluntarily terminate the agreement before the end of its term. MotoNovo arranged to collect and inspect the car. When the car was returned, it was around 11 years old with a mileage of 59,064. The inspector said there was some damage to the car that went beyond fair wear and tear, and that the service history was missing. MotoNovo told Mr C he needed to pay a total of £645 for the issues identified by the inspector. It provided the following breakdown of charges:

- Missing service history fee - £300
- Rear bumper – Painted - £80
- Left front wing – Scratched - £65
- Left rear wing – Scratched - £65
- Right front wheel alloy damage - £45
- Right rear wheel alloy damage - £45
- Left front wheel alloy damage - £45

Mr C didn't think the charges were reasonable, so he made a complaint to MotoNovo. He said most of the problems were present when the car was originally supplied to him – including the missing service history – and that he reported them to the dealership at the time. MotoNovo agreed to remove the charges for the rear bumper and left front wheel – and accepted that those issues amounted to fair wear and tear. It offered £30 to recognise the distress and inconvenience caused. It said the other charges had been applied correctly in line with the fair wear and tear guidelines set by the British Vehicle Rental and Leasing Association (BVRLA).

The complaint was referred to the Financial Ombudsman Service (Financial Ombudsman). One of our Investigators considered the complaint and upheld it. They thought the damage to the left front wing was most likely present when the car was supplied to Mr C. They also didn't think the damage to the right rear and front wheels went beyond fair wear and tear – taking into account the car's age and mileage. So, they recommended that MotoNovo waive those charges. But they thought MotoNovo was entitled to charge for the missing service history, as well as the damage to the left rear wing. They also thought MotoNovo had acted correctly in charging Mr C £201.49 to voluntarily terminate the agreement. They said the

compensation awarded by MotoNovo was fair in the circumstances.

MotoNovo accepted the Investigator's recommendations, but Mr C didn't. He said that although the car didn't have a service history, he had receipts to demonstrate that it had been serviced while in his possession. He also felt the car had been mis-sold to begin with, which needed to be taken into account. He didn't think MotoNovo had shown that the damage wasn't there when the car was supplied to him. Because the complaint couldn't be resolved, it's been passed to me to decide.

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.

If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities – what I think is more likely than not to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr C was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we can investigate complaints about it.

I'll address each of the key issues in turn.

The voluntary termination charge

I've first considered whether MotoNovo acted fairly in requiring Mr C to pay £201.49 to voluntarily terminate the agreement. Sections 99 and 100 of The Consumer Credit Act 1974 (CCA) sets out a consumer's rights and liabilities when terminating a finance agreement early.

Section 99 of the CCA states:

"99 Right to terminate hire-purchase etc. agreements.

(1) At any time before the final payment by the debtor under a regulated hire-purchase or regulated conditional sale agreement falls due, the debtor shall be entitled to terminate the agreement by giving notice to any person entitled or authorised to receive the sums payable under the agreement."

Section 100 states:

"100 Liability of debtor on termination of hire-purchase etc. agreement.

(1) Where a regulated hire-purchase or regulated conditional sale agreement is terminated under section 99 the debtor shall be liable, unless the agreement provides for a smaller payment, or does not provide for any payment, to pay to the creditor the amount (if any) by which one-half of the total price exceeds the aggregate of the sums paid and the sums due in respect of the total price immediately before the termination."

This means that borrowers can voluntarily return a car and end an agreement before its reached its term – but they must have paid at least half of the total sum payable under the agreement before doing so. If that amount hasn't been paid already, the lender can ask the borrowers to pay the remaining amount required.

In this case, Mr C had already made payments totalling £4,190.43 (including the deposit of £295) when he asked to terminate the agreement. The total amount payable under the agreement was £8,783.84 – so to have paid half of the total amount, Mr C needed to pay a total of £4,391.92. I'm satisfied MotoNovo acted fairly in requesting the payment of £201.49 before allowing Mr C to terminate the agreement, as this payment brought the total amount paid to half of his total liability.

The damage charges

Under the terms of the agreement, MotoNovo can charge Mr C for the cost of repairing damage to the car upon its return. I would only expect MotoNovo to charge Mr C for damage that went beyond fair wear and tear. I've considered whether MotoNovo applied the damage charges fairly – taking into account all of the available evidence. This includes the inspector's report and photos, as well as Mr C's comments and the evidence he provided about the issues he reported after the car was supplied to him.

The BVRLA sets industry guidance on what is considered fair wear and tear, which I've taken into account. The BVRLA guidance is generally intended for new cars that have been returned at the end of their first finance agreement – so it's mainly used to assess damage on cars that are a few years old. But it can be used for older cars, where the age and mileage of the car are taken into account. Consideration should also be made for the general condition of the car before it was supplied to the customer – as it wouldn't be fair to charge for damage that was already present at the point of supply.

In this case, the car was already around nine years old when it was supplied to Mr C – and was around 11 years old when it was returned to MotoNovo, with a mileage of 59,064. So, I think it would be reasonable that the car would show significantly more signs of wear and tear than a newer car with a lower mileage would. I've taken this into account when deciding whether the damage MotoNovo charged Mr C for goes beyond fair wear and tear.

Mr C says the car was already damaged when it was supplied to him. He said there were several issues with the car that meant it wasn't as described, and that it was mis-sold to him. I understand Mr C raised his concerns with the dealership shortly after the car was supplied, and that he made a complaint to MotoNovo, asking to reject the car and unwind the agreement. MotoNovo considered that complaint and issued a response, which included Mr C's rights to refer the complaint to this service if he remained unhappy. The matter wasn't taken any further at the time.

In this decision, I've considered whether the charges applied by MotoNovo are fair and reasonable. To decide this, I've taken into account Mr C's concerns that some of the charges were for issues with the car that were present at the point of supply. So, while I may comment on whether issues were likely to be present at the point of supply, I haven't considered – and won't be commenting on – whether the car was of satisfactory quality when it was supplied to Mr C or whether it was otherwise mis-sold to him.

MotoNovo agreed to remove some of the charges before the complaint was referred to this service. I'll address each of the remaining charges in turn.

Right front and rear wheel alloys

The BVRLA guidance allows for scuffs of up to 50mm on alloy wheels. The inspectors report highlights scuffs to both the rear and front right alloy wheels. There's no measuring tool visible in the photos, but both scuffs appear to exceed 50mm. So, I'm satisfied the damage to the wheels exceed the BVRLA guidelines for fair wear and tear.

But as I've explained, I need to take into account the fact that the car was 11 years old when it was returned, and had covered nearly 60,000 miles. So while I've taken the BVRLA guidance into account, I don't think it would be fair to apply it strictly in this case. While the alloy wheels are scuffed, I agree with our Investigator that the damage isn't out of line with what I'd normally expect to see on a car of this age and mileage – especially taking into account that the car was already nine years old when it was supplied to Mr C. So I don't think it would be fair for MotoNovo to apply a charge for this damage.

Left front wing

The BVRLA guidance says scratches of 25mm or less are acceptable where bare metal isn't showing. They also say there should be no rust or corrosion on any painted areas. The inspector's report includes a photo of the left front wing, which shows multiple deep scratches and what appears to be visible rust and bare metal beneath the scratched areas. The photo doesn't include a measuring tool, and it's not clear whether the scratches exceed 25mm. But given that bare metal and rust are visible, I'm satisfied the damage goes beyond fair wear and tear – taking into account the age and mileage of the car.

Mr C says the damage was already present when the car was supplied. He's provided a copy of the email he sent to the dealership in August 2022 – roughly one month after the car was supplied. In his email he states:

"The body work is described as being excellent, now I understand the age related marks on the rear bumper etc however the rust on the passenger side door was not advised and was not visible when collecting the car as it was parked against the pavement."

The damage highlighted in the report is to the left front wing, rather than the door itself – but it's close to the area Mr C describes. The inspector didn't note any rust present on the passenger side door, and there's no visible rust on the door in the photo. So, I think it's likely – on balance – that Mr C was referring to the rust on the left front wing in his email. As the email was sent soon after the car was supplied, I'm satisfied the damage was already present when Mr C acquired it. So, I don't think it would be fair for MotoNovo to apply a charge for it.

Left rear wing

The inspector's report also includes a photo of the left rear wing. This shows a large area of damaged paintwork that appears to have flaked away, with a scratch in the middle of that area. Again, a measuring tool isn't visible in the photo, but given the position of the scratch I think it's clear that it exceeds 25mm. Given the size of the area of damaged paintwork, I'm satisfied this damage goes beyond fair wear and tear – even considering the age and mileage of the car.

Mr C argues that this damage was present when the car was supplied. The email I've referred to above specifies two areas of damage to the car's bodywork – and doesn't mention the left rear wing. Nor does it mention any scratches, or damaged paintwork similar to what can be seen in the photo. I think it's likely that if the area of damaged paintwork was present at the point of supply, Mr C would have mentioned it alongside the other issues. So, based on the evidence available I'm not persuaded this damage was present when the car was supplied to Mr C. As the damage exceeds fair wear and tear, MotoNovo can apply a charge for it. MotoNovo has charged £65 for this issue, which I don't find unreasonable.

Missing service history

It's not in dispute that the car didn't have a service history when Mr C returned it to MotoNovo. MotoNovo has provided a copy of its charging guidelines – which are supplied to customers before a car is returned. These guidelines include a fixed charge of £300 if a car is returned without a service history. The BVRLA guidelines also say all documentation should be intact and present when a car is returned – including the service history.

Mr C says the car was missing its service history when it was supplied to him – so doesn't think it would be fair to charge him for it. In the email he sent to the dealership in August 2022, he said:

“Please see original advert on autotrader attached. It clearly states service history which you have failed to provide to date, there was no mention of part history or that you had to gain this from the last owner.”

I'm satisfied that Mr C raised a concern that the service history was missing when the car was supplied – so I think it's likely that he wasn't given a copy of the car's service history to begin with. I've considered whether it's fair for MotoNovo to apply the charge in light of this.

The BVRLA guidelines say that cars must be serviced and looked after according to the manufacturer's servicing schedule. It says that in the absence of a service book, the customer should provide evidence that the car has been serviced – such as an invoice showing the details of the service carried out. The manufacturer's guidelines recommend a full service every year. Mr C was in possession of the car for around two years, so I'd have expected it to have been serviced at least once in that time.

Mr C has provided screenshots of his purchase history with a retailer, showing purchases of various servicing items such as an oil service kit and a sump drain pump. He says the parts were fitted by a certified mechanic – but he didn't obtain a receipt for this work. I can't fairly agree Mr C has demonstrated that the car was serviced in line with the manufacturer's guidelines. While he may have purchased servicing items, there's no evidence to demonstrate that a service was carried out to the car in question, or when any services took place. As Mr C hasn't shown that the car was serviced while in his possession, I'm satisfied MotoNovo acted fairly by charging him for the missing service history.

Summary

For the reasons I've explained, I'm satisfied the charges MotoNovo applied for the missing service history and left rear wing were fair. I also think it acted fairly by requiring Mr C to pay £201.49 to terminate the agreement early. But I don't agree the charges for the damage to the front and rear right alloy wheels or the left front wing were fair – so MotoNovo should waive these charges. If Mr C has already paid the charges, those amounts should be refunded to him with interest as outlined below.

MotoNovo also offered compensation of £30 to recognise the distress and inconvenience caused by the fact that it charged for some issues that were fair wear and tear. I'm satisfied this offer is fair in the circumstances, and reflects the impact the situation had on Mr C.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr C's complaint. I require MotoNovo Finance Limited to:

- Remove the charges for the left front wing, right rear wheel and right front wheel;
- If Mr C has already paid the charges, refund the amounts charged for the above

issues;

- Apply 8% simple interest per annum on any refunded amounts, calculated from the date Mr C made the payment to the date of the refund[†];
- Pay Mr C £30 compensation, if it hasn't already.

[†]If MotoNovo Finance Limited considers that tax should be deducted from the interest element of my award, it should provide Mr C with a certificate showing how much it has taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 June 2025.

Stephen Billings
Ombudsman