

The complaint

Mr B complains that Specialist Motor Finance Limited ('SMF') acted unfairly when he requested to voluntarily terminate a hire purchase agreement he had with it for a car.

What happened

The background of this complaint is well known to both parties, so I won't repeat them here. Instead, I will focus on the reason for my 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 take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered to have been good industry practice at the relevant time.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

I also want to acknowledge that I've summarised the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues to reach a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Mr B acquired a car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. Mr B's agreement with SMF sets out amongst other things his right to terminate the agreement

It's clear that Mr B wanted to exercise his right to voluntarily terminate the agreement. In some instances, voluntary termination allows the hirer to simply hand back the car without having to pay anything more. But this is dependent on, amongst other things, how much has been paid to the agreement, whether there are any arrears to be paid, the condition of the car, and whether any excess mileage or other charges are due. There may also be internal processes a business has in place.

The Consumer Credit Act 1974 (CCA) sets out the rights consumers have to voluntarily terminate their hire purchase agreements and the liability that is due on termination; S99 of the CCA sets out the right for a consumer to terminate a hire purchase agreement early and S100 sets out what liabilities a consumer has on termination.

In brief, on termination a consumer is liable to pay at least half of the 'total price' of the agreement. 'Total price' is defined by S189 CCA as the total sum payable under the hire purchase agreement.

From the information I have, namely Mr B's account statement, at the point he requested to voluntarily terminate his agreement I can't see he had paid for half of what was owed under the agreement. So, I don't find it unreasonable that SMF requested to carry out an income and expenditure exercise under these circumstances.

As well as the relevant legislation I have also considered the terms and conditions of Mr B's contract. The section of the hire purchase agreement headed 'TERMINATION: YOUR RIGHTS' says:

'You have the right to end this agreement. To do so, you should write to the person you make your payments to. They will then be entitled to the return of the goods and to half the total amount payable under this agreement, that is £8,270.00. If you have already paid at least this amount plus any overdue instalments and have taken reasonable care of the goods, you will not have to pay any more.'

Having considered the agreement I think SMF included the relevant information about handing the car back which they have relied upon in Mr B's case. I've also thought about other documentation Mr B would've been given when he initiated the termination process. SMF has provided a copy of the voluntary termination information pack, this sets out the requirements of voluntarily terminating the agreement and also makes clear what liabilities Mr B may have under the agreement.

It also explains important information, for example, items which must be available when a customer returns a vehicle, such as the service history and the keys. So, it's clear, as well as informing SMF in writing of the intention to voluntarily terminate the agreement, Mr B was required to carry out further steps as part of this process.

I think it's both fair and reasonable for SMF to have such processes in place so that the process is also clear about what needs to happen, for example SMF would want to make clear how the car should be returned, what condition it should be in and what payments are outstanding.

Overall, in my view I think that the terms and conditions of Mr B's hire purchase agreement contained information about terminating the contract part way through its duration.

I also think SMF has treated Mr B fairly when requesting he fulfil the terms under the agreement as well as following its processes to voluntarily terminate the agreement, this is fairly standard practice across the industry, and I don't think SMF has acted unfairly or unreasonably under the circumstances.

My final decision

My final decision is that I don't uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 October 2025.

Rajvinder Pnaiser
Ombudsman