

The complaint

Miss T is unhappy with how Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (VWFS) treated her when she got into financial difficulty in relation to a car financed under a hire purchase agreement.

What happened

In July 2021 Miss T was supplied with a used car through a hire purchase agreement with VWFS. She paid an advance payment of £3,800 and the agreement was for £21,039.74 over 48 months; with 48 monthly payments of £199.63, and a final payment of £7,647.50. At the time of supply, the car was around two years old, and had done 20,018 miles.

Miss T complained that VWFS terminated her agreement when she was in hospital following an accident. She said she had no access to her telephone or emails. She said when she got home from hospital there was a letter from VWFS telling her they were going to repossess her car. She said she needs the car for family and to get to work. She said this had affected her mental health.

VWFS said they terminated Miss T's hire purchase agreement on 14 August 2024 due to a build-up of arrears of £3,476.42. They said Miss T had been in arrears since 2022, and multiple payment arrangements had been set up and broken by Miss T.

They acknowledged that Miss T had contacted them to say she had been in hospital at the time the termination correspondence had been issued. But they said they would not be reinstating the agreement due to the time she had been in arrears. They said they had paused collections action until this complaint was resolved. They said they would not look to reinstate the agreement as no payments had been made.

Miss T was unhappy with this response, so she referred her complaint to our service for investigation.

Our investigator didn't think VWFS had acted unfairly. He said they had informed Miss T of the arrears and the consequences of not paying, and had agreed payment plans with her. He said the payment plans weren't kept to, and there was significant arrears on the agreement.

Miss T didn't agree with the investigator. She said they hadn't treated her fairly. She said she was willing to pay the arrears and just needed time to get back on her feet. She said she'd had money fraudulently taken from her bank account.

She said VWFS had paid her £200 in a goodwill gesture at the same time they had terminated the agreement and that didn't make sense.

Because Miss T didn't agree, 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. 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 has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely 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. Miss T was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

Miss T complains that VWFS didn't treat her fairly or reasonably when they terminated her hire purchase agreement. She had told them she was in financial difficulty, that she was vulnerable, and that she was in hospital when they sent her the letter informing her the car would be repossessed.

As a regulated firm, VWFS must abide by rules set out by the Financial Conduct Authority (FCA) in its handbook. Section CONC 7.3 explains what firms like VWFS must do when consumers are in financial difficulty.

CONC 7.3.4 states:

"A firm must treat customers in or approaching arrears or in default with forbearance and due consideration."

CONC 7.3.6 states:

"Where a customer is in default or in arrears difficulties, a firm should allow the customer reasonable time and opportunity to repay the debt."

It appears that Miss T started to struggle to make payments from January 2023 (although payments had been missed in 2022). She initially told VWFS that this was because of the cost of bills increasing. In February 2023 she told them her working hours had been temporarily reduced. In April 2023 she said it was because of fraud on her bank account.

VWFS continued to communicate with Miss T by telephone, and in writing. They agreed several payment plans which would've given Miss T the opportunity to repay the debt. But Miss T failed to keep up with the payment plans.

In April 2023, and in June 2023, VWFS agreed to give Miss T "Breathing Space". This would've allowed her to seek help with her finances. But she continued to miss payments and the amount of arrears continued to increase.

CONC 7.3.5B says that firms like VWFS must:

"take all reasonable steps to ensure that any repayment arrangements agreed with customers are sustainable".

It appears to me that VWFS reasonably concluded, after the payment arrangements failed on several occasions, and the arrears continued to build after the period of breathing space, that it would be unable to agree a payment arrangement that would be sustainable for Miss T.

VWFS sent many letters to Miss T informing her she was in arrears, what payments were required, and the consequences of failing to pay. On 4 August 2023, after a payment arrangement had failed, they sent Miss T a “Notice of Sums in Arrears” letter informing her that the arrears amounted to £532.

On 3 January 2024 they sent another Notice – by this time the arrears amounted to £1,500.

They also sent her a default notice in December 2023. This is a statutory notice informing Miss T that she was in breach of the agreement, and what she needed to do to avoid the agreement being terminated.

VWFS continued to treat Miss T with the appropriate forbearance and due consideration as required by the FCA. They discussed the situation with Miss T, and took updated Income and Expenditure information. I see from the notes that Miss T continued to tell them that her problems were temporary – including a problem with fraud on her bank account.

Miss T said she would provide our investigator with a letter from the bank proving that there had been fraud on the account, causing her financial difficulty. I don’t need to see that letter as I’m happy to accept her testimony. And it wouldn’t affect my outcome, as I don’t doubt that she was having problems. But I need to consider whether or not VWFS acted fairly and reasonably when they took the decision to terminate her hire purchase agreement with them.

I’m satisfied it was reasonable for them to terminate the agreement. Term 10 of the agreement she entered into on 19 July 2021 states:

“We will be entitled to terminate this Agreement, on expiry of the requisite statutory written notice, if you are in breach any of the terms of this Agreement”

Term 10.2 states: *“On termination you must return the Vehicle to us immediately”*

Miss T signed the agreement, confirming she agreed to be bound by the terms of the agreement. The further letters and notices I’ve referred to above also made clear that failure to maintain payments meant the agreement could default and the car could be repossessed.

For example, the letter sent on 3 August 2023 informing Miss T that the payment she had agreed to make under a payment arrangement had not been received, warned her that if the agreement was broken:

“This could lead to your agreement defaulting and your vehicle is at risk of being repossessed”

The letters also provided information about independent support available to her from third party debt advice services.

By the time VWFS took the decision to terminate the agreement in August 2024, the arrears amounted to £3,476.42, the equivalent of 17 monthly payments.

Miss T said she was given different information by different people at VWFS, and by the third party collection agent. I’ve looked at the contact notes and I’m satisfied that VWFS were consistent in telling Miss T about the consequences of non-payment, and why payment

plans were no longer an option. I've seen nothing that would suggest the third part agent gave different information.

Miss T had missed payments, and several payment plans had not been kept to. The arrears continued to increase, with no indication that a sustainable repayment plan could be agreed and maintained. VWFS had clearly explained to her in calls and correspondence the amount of her arrears, and the consequences of failing to make payments. I'm satisfied they met their regulatory obligations, and it was reasonable for them to conclude that the agreement had been breached, and termination was appropriate.

It was unfortunate that Miss T was in hospital when the letter informing her of the termination, and repossession, was sent. But I don't think it affects the outcome. That's because the decision to terminate was made based on a history of missed payments, failed payment arrangements, and growing arrears. There was no evidence that the situation was likely to change.

I know this will be upsetting for Miss T, but I'm satisfied VWFS have not acted unreasonably.

I remind VWFS to continue to treat Miss T fairly as required under the guidance, accounting for her vulnerability and financial difficulties.

My final decision

For the reasons explained, I don't uphold Miss T's complaint about Volkswagen Financial Services (UK) Limited trading as Audi Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 16 September 2025.

Gordon Ramsay
Ombudsman