

The complaint

Mr U complains that MotoNovo Finance Limited has acted unfairly in the amount of compensation it offered after it gave him the wrong settlement figure to voluntarily terminate a hire purchase agreement.

What happened

In February 2022 Mr U entered into a four-year hire purchase agreement for a used car. Under the agreement Mr U was to make 48 monthly payments of £660.45, followed by one monthly payment of £21,548.00. The agreement also had an annual mileage limit of 8,000.

The agreement set out that *“You have a right to end this agreement. To do so, you should write to the person you make your payment to. They will then be entitled to the return of the Vehicle and to half the total amount payable under this agreement, that is £29,124.80. If you have already paid at least this amount plus any overdue instalments and have taken reasonable care of the Vehicle, you will not have to pay any more.”*

In July 2024, due to Mr U's changing needs, he contacted MotoNovo and enquired what the cost would be if he were to voluntarily terminate the agreement. MotoNovo informed him that he would have to pay £9,971.75 to reach the halfway point plus any excess mileage costs. MotoNovo also supplied Mr U with a brochure about other exit options that were available.

Mr U decided to keep the car but in October 2024 he enquired again about voluntarily terminating the agreement. This time MotoNovo said that it would cost Mr U £2,990.40 to reach the halfway point. It explained to Mr U that there had been an error in the figure supplied in July 2024 due to a system error where deposits that had been paid hadn't been factored into the amount that had actually been paid by the customer. This had resulted in voluntary termination settlement quotes being higher than they really were.

Mr U was unhappy at being given the wrong information in July 2024. He said had MotoNovo provided him with the correct cost of £4,971 he would have terminated the agreement and returned the car. He said that by having to keep car for longer he had unnecessarily incurred additional costs in the form of hiring a larger car for a holiday in August and also for having repairs undertaken to the car in September 2024 that cost £2,500. He said both of these costs could have been avoided. He complained to MotoNovo and asked for compensation.

MotoNovo upheld Mr U's complaint. It acknowledged he had been given the wrong information as to the cost of voluntary termination. However, it declined to refund the costs of the hire car or the costs of the repairs. MotoNovo said it had supplied Mr U with other exit options and that he had proceeded with repairs without consulting it which meant MotoNovo couldn't investigate if there was a vehicle quality complaint. MotoNovo offered Mr U £200 compensation for the distress and inconvenience caused by being supplied the wrong figure in July 2024.

Mr U was unhappy at MotoNovo's response and complained to this service. He said that had he been given the correct voluntary termination when he'd first asked, then it would have

been more financially viable for him to return the vehicle under the voluntary termination clause and not incur the additional costs in the subsequent months.

Our investigator didn't recommend Mr U's complaint should be upheld. He said that Mr U hadn't supplied sufficient evidence that he would have had the funds needed to clear the £4,917.70 amount in July 2024 and so he couldn't say whether Mr U would have terminated the agreement in July 2024 had he been given the correct amount.

Our investigator said that in respect of the hire car costs, he hadn't seen this had been because of an issue with the car Mr U had on hire purchase and it didn't appear to be a like for like replacement being described as 'luxury' on the invoice. The investigator said he wasn't going to ask MotoNovo to reimburse that cost.

In regard to the repair costs, our investigator said there wasn't any evidence these had arisen because of any fault with the car that made it of unsatisfactory quality. He said these repairs had arisen from wear and tear and therefore, as he wasn't able to say Mr U would have ended the agreement in July 2024, then he couldn't fairly ask MotoNovo to reimburse the repairs costs from September 2024.

Mr U disagreed with our investigator's view. He said a family member would have paid the £4,917.70 voluntary termination cost on his behalf, but he had kept the car because the amount quoted had been unaffordable and significantly more than it really was.

Mr U disagreed that the hire car hadn't been like for like and said these costs and the repair costs were because he had to keep the original car.

Mr U asked for a final decision from an ombudsman and so his complaint has been passed to me.

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.

It isn't disputed that MotoNovo didn't provide Mr U with the correct figure to voluntarily terminate the agreement in July 2024. It also isn't disputed that this amount was around £5,000 higher than the halfway liability actually due. So, I agree that MotoNovo didn't provide Mr U with the service he could reasonably have expected, and this will have caused him distress and inconvenience. MotoNovo has offered £200 compensation which Mr U says doesn't reflect the costs he incurred.

Where evidence is missing or contradictory then I have to decide what I think is the most likely thing to have happened. Here, Mr U says that had he known the cost of ending the agreement in July 2024 was £4,917.70, then he would have borrowed the money from a family member and ended the agreement. Mr U says that by this time he was requiring a bigger car due to the size of his family. He has also told me that he hired a larger car for their holiday in August and has in fact now replaced this car with the same model he had hired having handed the car back in November 2024.

The difficulty is I don't know whether Mr U would have voluntarily terminated the agreement in July 2024 as he would have had to rely on someone else covering the amount due. I've seen that Mr U was provided with funds to pay the car's repair invoice in September 2024 from the same family member, but I don't think I can reasonably consider this shows they would have paid the costs of the voluntary termination even if the correct figure had been provided.

I've also seen that Mr U had likely exceeded the annual mileage limit for which there would have been an additional cost. Under the agreement Mr U was able to drive 8,000 miles per year (32,000 miles in total over four years) before facing excess mileage charges of 22p per mile. When the car was returned in November 2024, Mr U had driven around 30,000 miles in it, so I think it's likely there would have been a significant charge for the excess mileage that would need to have been added to the voluntary termination amount in July 2024. As the excess mileage fee is clear in the agreement, I think it likely Mr U would have been aware he would incur this additional charge, and I think it likely this would have had an impact on a decision to return the car even if the correct voluntary termination amount had been known by him in July 2024.

Taking this into account, I don't think I have enough evidence to reasonably say that Mr U would have terminated the hire purchase agreement in July 2024 had he been quoted the correct cost by MotoNovo. I think it's more likely than not that he would have kept the car for a longer period.

Looking at the car he hired for the holiday I've seen that although it's bigger, it's not significantly so. While there are other differences around performance and engine sizes, I'm not persuaded this different model provided significant extra space for Mr U's family. When comparing the two cars, I can't reasonably say Mr U would have had no choice but to hire it for the extra space for a family holiday. While I accept the car is slightly bigger, the car Mr U had under the hire purchase actually has more cargo room. And although the hire car has the capacity for seven seats, I haven't seen Mr U needed extra seating for his family. I think the hire car may have had a superior drive quality, but I don't think that would justify MotoNovo covering this cost as it was Mr U's choice to hire it rather than a necessity.

I've seen Mr U had the car he had under the hire purchase agreement repaired in September 2024. Mr U agrees that these repairs were due to wear and tear and says he hasn't raised any complaint about the car's quality. Mr U says had he returned the car in July 2024 then he wouldn't have had to face this repair bill. And while I accept that is likely, as set out above, I'm not able to reasonably say Mr U would have returned the car in July 2024. And since it is likely he would have kept for it for a period then, it's fair that he pay the costs of maintenance and repair which arose while the car was in his possession. Under the agreement it's Mr U's responsibility to cover such repair invoices.

So, for the reasons given, I'm not asking MotoNovo to reimburse Mr U the cost of the hire car nor the cost of the repairs. However, I agree that MotoNovo's actions did cause Mr U inconvenience and distress, but I think the £200 compensation offered by it to Mr U is fair and reasonable and I'm not going to ask it to increase that amount. I'm not upholding Mr U's complaint.

My final decision

For the reasons set out above, I'm not upholding Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 18 August 2025.

Jocelyn Griffith
Ombudsman