

## **The complaint**

Mr W complains Volkswagen Financial Services (UK) Limited trading as Seat Financial (VWFS) unfairly terminated his car finance agreement. He also complains they didn't support him during his time of financial difficulty

## **What happened**

In May 2021, Mr W entered into a 48 month agreement for a used car. The car's cash price was £20,419. The monthly instalments were £356 with a final optional payment of £7,103 should he decide to keep the car.

In February 2022, Mr W told VWFS he was experiencing financial difficulty. They agreed to a 60 day breathing space where interest wouldn't be applied. By August 2022, the account had fallen three months behind and a default notice was issued. At Mr W's request, VWFS said they would consider a long term payment plan but they needed further information regarding Mr W's financial circumstances before it could be agreed.

Throughout 2023, the account remained in arrears and further default notices were issued in January and February 2023. There was a lot of back and forth between Mr W and VWFS about it. In June 2023, VWFS agreed to a payment plan. By this time, the arrears were in excess of £1,400.

In July 2023, VWFS issued another default notice stating the car wasn't insured so they required Mr W to provide evidence that a policy was in place. As the default notice wasn't satisfied by the deadline, the agreement was terminated in September 2023. Mr W complained he wasn't made aware the agreement had been terminated. In December 2023, Mr W provided evidence of the insurance policy covering the period in question.

Following the termination, VWFS told Mr W the outstanding balance was £15,010. In January 2024, he asked for VWFS to accept a total of £13,000 in full and final settlement of the account but VWFS refused this stating he had to pay the full outstanding amount. In March 2023, Mr W privately sold the car and paid £11,000 towards the balance. VWFS said that left a balance of £4,010 to pay. Mr W asked to pay this amount in instalments but VWFS said that wouldn't be possible.

Unhappy with their response, Mr W referred to our service. Our investigator recommended the complaint wasn't upheld. She said VWFS had acted fairly in terminating the agreement. She said the account was heavily in arrears and although evidence of insurance was provided, that didn't happen until after the agreement was terminated.

Mr W disagreed with the findings and maintained his position. He said VWFS failed to support him during his time of financial difficulty. He also said the agreement had been terminated due to no insurance but he had provided evidence that a policy was in place. He also said VWFS had offered to pay £400 in acknowledgement that their communication fell below their standards when communicating with consumers with financial difficulty. He said this showed their level of service was inadequate.

In March 2025, I issued a provisional decision outlining my intentions to partially uphold the complaint, I said:

*“Termination of the agreement*

*VWFS has told our service that Mr W’s agreement was terminated due to the arrears and the insurance. However having looked at the default notice issued in July 2023, it clearly states the reason was due to the car not being insured and to remedy it, Mr W needed to provide proof of insurance. There is no reference to the arrears in that specific default notice. However there were indeed prior default notices issued in 2022 and 2023 for the arrears. I will address that later in the decision.*

*Having looked at the terms of the agreement, it stipulates the car must be insured at all times and details of the policy must be provided if asked by VWFS. It also goes on to say if the agreement is terminated by VWFS, any arrears accrued and payments outstanding must be paid. Mr W signed this agreement in 2021 so I’m satisfied he was aware of the same.*

*From my understanding, Mr W put a private registration on the car some time in 2021. However VWFS say they weren’t made aware of the same and the onus was on him to tell them. Mr W argues he did make them aware via a letter however I don’t have enough evidence to say that he did.*

*It would appear due to the change of registration without VWFS’ knowledge or consent meant when they carried out checks, no insurance was found. In light of the same, they issued a default notice which in the circumstances I consider to be a reasonable course of action given what the terms say.*

*Mr W argues that he didn’t receive the default notice as he had moved address and he had told VWFS about this. However having reviewed VWFS’ contact notes, there’s no indication he did despite them asking him on more than one occasion whether his contact details were correct or needed to be updated. So I can’t say VWFS did anything wrong.*

*Having read the default notice, I’m satisfied it makes it clear what is needed to satisfy it and the date to do it by, that is, to provide proof of insurance by 26 July 2023. It also outlines what would happen if the requirements weren’t met. However the required evidence wasn’t provided by Mr W by that deadline meaning the notice wasn’t satisfied so I can understand why VWFS took the decision to terminate the agreement in September 2023.*

*I’m aware that via legal representation, Mr W provided evidence of insurance to VWFS. I’ve seen copies of the same but I note these documents were provided to VWFS in December 2023 which was months after the required deadline of the default notice. I consider this to be a significant time thereafter. So I can’t reasonably say the default notice was satisfied. There is no contractual or legal obligation for VWFS to accept the same after the agreement had already been terminated. They didn’t agree to reinstate the agreement and that’s their commercial decision to make, I can’t compel them to do so.*

*For these reasons, I find the agreement has been terminated fairly and in line with the terms of the agreement.*

*Where this happens, the terms make it clear the consumer (Mr W) is liable for the total amount payable less than the amount of repayments already made. Here, the total amount is £24,225 and less the payments Mr W has paid, VWFS said the outstanding balance was £15,010. I’m aware Mr W proposed an offer to pay a reduced amount of £13,000 to bring matters to a close. However I must emphasise VWFS are not legally nor contractually obliged to accept the same. If they decide to accept a lesser amount for the outstanding balance that they are contractually entitled to, again that would be their commercial decision*

to make at their discretion. In this case, they maintain the full outstanding balance is owed which is permitted by the terms.

The account statement confirms Mr W paid £11,000 which was put towards the balance. VWFS says that leaves £4,010 for him to pay. Mr W asked to pay this amount via a payment plan as he can't afford to pay it as a lump sum. It appears VWFS has declined this request and I don't believe that's fair. I don't find Mr W's request to be an unreasonable especially as it's for a significant amount of money and if he's still struggling financially. I would expect VWFS to show forbearance and due consideration in situations of financial hardship. So to resolve this complaint, I intend to say VWFS should contact Mr W to set up an affordable payment plan for him to pay the outstanding balance.

#### *The arrears*

Although the agreement wasn't ultimately terminated due to arrears, for completeness sake, I've also considered this aspect as Mr W has said he wasn't sufficiently supported by VWFS during his time of financial hardship.

The terms of the agreement states the contractual payments must be made by the dates due.

I've considered the evidence provided by VWFS such as contact notes and written correspondence along with Mr W's testimony.

In February 2022, Mr W told VWFS he was experiencing financial difficulty. In such instances, I would expect financial businesses like VWFS to treat him with forbearance and due consideration as required by the CONC rules set by the financial regulator. There's not a defined list of the support and measures to be put in place, as it would depend on the circumstances of the individual however it may include agreeing to a payment holiday, freezing interest, deferring payments, setting up an affordable payment plan, etc.

I would expect the financial business to gain a full understanding of the consumer's financial circumstances so tailored support could be put in place. In this case, I can see in February 2022, VWFS agreed to a 60 day payment holiday meaning that no interest charges would be applied during that period. Around this time, VWFS also carried out an income and expenditure review and it was determined Mr W had sufficient disposable income to cover the contractual payments and more. He also told them he expected his financial difficulty to be a short term issue and it would return to normal within a month.

Despite this, the account statement shows by June 2022, the account fell two months behind and written correspondence was sent to Mr W's address to make him aware. He was also told that it would have a negative impact on his credit file and if it continued, it could lead to the agreement being terminated. In the months that followed, I can see VWFS made several attempts to communicate with him about the arrears via calls, text messages and written correspondence including at least three default notices. So I'm satisfied it was made clear to Mr W that he needed to take action to bring the account back up to date otherwise further action may be taken such as termination of the agreement.

In the months that followed, I can see VWFS offered payment plans to allow Mr W to clear the arrears. As per Mr W's request they also said they would consider a long term payment plan (12 months). However to set it up and to determine it was affordable, they needed to carry out a further income and expenditure review but I can't see this information was forthcoming by Mr W. I can see VWFS made several requests to Mr W to complete such a review. So it's clear they were attempting to work with him to determine a suitable and affordable payment plan. Again, I find this was a reasonable course of action in the circumstances.

*The Information Commissioner's Office (ICO) provides guidelines about defaults and when it should be implemented. So I've taken that into account when looking into this complaint. It says if an account is at least three months in arrears, a default may be registered and it would expect one to be registered by the time the account is six months behind.*

*In this case, VWFS issued default notices in August 2022, October 2022, January 2023 and February 2023 stating the account was in arrears. Although there's no evidence these notices were satisfied meaning VWFS were entitled to take further action, they decided not to do so. Presumably to allow Mr W more time to bring the account back up to date.*

*Following the default notice issued in February 2023, Mr W contacted VWFS several months later in June 2023 in which he said he had spoken to a debt charity and he could afford to pay an additional £50 per month towards his arrears. Despite this arrangement being agreed with VWFS, the plan wasn't followed by Mr W. Neither the contractual payment nor the additional amount was paid in the months that followed.*

*I note by the time of the default notice issued in July 2023 for no insurance, the account was around five months in arrears so although it wasn't eventually terminated for that reason, it's more likely than not VWFS would've sought to take such action given the extent of the arrears.*

*Overall based on what I've seen, I'm satisfied VWFS did show forbearance and due consideration to Mr W during to his time of financial difficulty. I can't agree he wasn't given sufficient time and support to bring the account back up to date.*

*I'm aware upon VWFS' internal review of the support they provided to their customers with financial difficulty, they said in some occasions they could've taken further steps and as a gesture of goodwill they've offered to pay £400 to Mr W. But they've made it clear they hadn't specifically reviewed the actions of each individual consumer including Mr W. So I can't reasonably say this was an admission of liability of not supporting Mr W during his time of financial difficulty. For the reasons outlined above, I find they did. If Mr W hasn't already accepted this offer and he still wishes to do so, he should contact VWFS directly about this.*

#### **Summary**

*Taking all things into consideration, I find VWFS acted fairly and in line with the terms in deciding to terminate Mr W's car finance agreement. I agree Mr W is liable for the outstanding balance but VWFS should set up an affordable payment plan to allow him to pay the same.*

*I also find VWFS acted fairly during Mr W's time of financial hardship and demonstrated forbearance and due consideration".*

#### **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.

Mr W provided no response. In summary VWFS said:

- Previously several attempts have been made pre and post termination to set up payment plans however these haven't been followed by Mr W;
- Requests for income and expenditure assessments have been made to Mr W but he's failed to respond;

- They are happy to continue to try and work with Mr W to settle the outstanding balance however to do so they require him to complete an income and expenditure assessment to determine a suitable repayment plan.

On the basis I haven't been provided with any further information to change my decision I still consider my provisional findings to be fair and reasonable in the circumstances. However I would like to stress that in the event Mr W accepts this final decision, I strongly urge him to contact VWFS directly to provide the relevant information they require related to his financial circumstances so an affordable payment plan can be set up.

### **My final decision**

For the reasons set out above, I've decided to partially uphold Mr W's complaint.

To put things right, Volkswagen Financial Services (UK) Limited trading as Seat Financial (VWFS) should set up an affordable payment plan for Mr W to pay the outstanding balance. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 17 April 2025.

Simona Reese  
**Ombudsman**