

The complaint

Mr U complains about a motor hire agreement he had with Ald Automotive Limited trading as Kia Contract Hire (Kia Contract Hire). He is unhappy about the amount he's been charged on early termination after having to terminate the agreement early because he was moving abroad.

What happened

In April 2021 Mr U took out a motor hire agreement with Kia Contract Hire. The contract term was for 48 months and in return for using the car, Mr U agreed to pay an initial rental of £1,556.71, followed by regular instalments of £518.90.

In late February 2024 Mr U contacted Kia Contract Hire to explain that he was moving abroad and therefore needed to end the hire agreement early. Kia Contract Hire quoted an early settlement figure it said Mr U would need to pay to settle the agreement. A second, much lower amount, was then quoted and although Mr U remained unhappy with the amount, an early settlement quote was sent to Mr U to complete if he was to proceed with the early termination. That quotation was for the same amount previously stated to Mr U, although VAT had now been added to the original sum.

The car was collected in early March 2024 after Mr U agreed to proceed with the early termination. Still unhappy about the amount required to early terminate the agreement Mr U complained to Kia Contract Hire. His complaint was upheld and Kia Contract Hire explained the wrong settlement figure was provided to him when he initially enquired about early settlement. Kia Contract Hire apologised and said it would however honour the lower quotation.

Unhappy with Kia Contract Hire's response, Mr U referred his complaint to our service. One of our investigators considered what the parties had said and provided and set out why they considered the complaint should be partially upheld. They explained that the way Kia Contract Hire dealt with Mr U and the quotations around early settlement could and should have been clearer. The investigator recommended Kia Contract Hire pay Mr U £200 for the distress and inconvenience caused by this lack of clarity and confusion.

But when considering the larger sum due on early settlement, the investigator did not consider the amount now required by Kia Contract Hire to settle the hire agreement early to be unreasonable. They referred to the terms and conditions of the hire agreement between Mr U and Kia Contract Hire and that this refers to the calculations necessary to determine what sums will be due should the agreement end early. The investigator found that one of the two methods of calculating the sum due on early termination was clear. But the second method of calculating the early termination sum could have been clearer.

The investigator then considered the amount that Kia Contract Hire would have likely received had the hire agreement term run its full term against the amount it would now receive on early termination. The sum Kia Contract Hire would receive on early termination was likely lower than the amount it would have received if the agreement had run full term and the investigator found that Kia Contract Hire had not unfairly benefited from the early

termination.

Kia Contract Hire accepted the investigator's findings. Mr U did not accept the findings and the complaint has therefore been passed to me so that a final decision can be issued.

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.

I'm very aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to every single point made by all the parties involved. No courtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Mr U entered into a four year motor hire agreement with Kia Contract Hire, whereby he would have use of the car in return for paying the agreement initial and regular monthly rentals. Mr U's circumstances changed and he says that he was to move abroad and therefore wanted to return the car and end the hire agreement with Kia Contract Hire early. The terms and conditions of the hire agreement set out that Mr U can end the agreement early and then sets out the lower of two calculations would be required to settle the agreement. The sums calculated are described in the terms and conditions as an amount reflective of Kia Contract Hire's expected costs.

I fully appreciate Mr U's circumstances changed since he entered into the hire agreement and moving abroad would mean that he would therefore have no need for the vehicle. But I do not consider this to be sufficient grounds to require Kia Contract Hire to cancel or waive any early termination charges that had been fairly charged. The terms of the hire agreement were set out at the outset and agreed by Mr U when he entered into the hire agreement. It would not in my view be unreasonable for Mr U to be bound by those terms, assuming they were set out clearly and applied fairly.

The investigator set out in great detail the various considerations when determining whether or not Kia Contract Hire has fairly and reasonably applied the early termination charges in this instance. I do not consider it necessary to repeat them in full detail here but share the same view and overall conclusions as the investigator on this point.

Clause 8.1 of the terms and conditions refers to early termination and how Kia Contract Hire will calculate the amount due on early termination. This is set out in two ways and Mr U would be required to pay the lower of the two amounts. Clause 8.1a refers to Mr U being required to pay 100% of the remaining rentals less any benefits accruing to Kia Contract Hire in consequence of the early termination. Clause 8.1b requires Mr U to pay 50% of the remaining unbilled regular payments.

I will later refer to what Mr U was initially told about the sums due on early termination and any confusion this caused. But Kia Contract Hire has said that the initial amount of over £8,000 is not now required and the lower amount of £4,349.82 would be due. I have therefore considered whether this amount is a reasonable sum.

By Mr U returning the car early, with potentially lower mileage than if the agreement had run its full term and covered the maximum overall mileage permitted under the agreement, Kia Contract Hire would likely benefit from a higher resale value of the vehicle. There are of course market variations but typically, a younger and lower mileage car will be worth more than an equivalent older and higher mileage model of the same make and specification.

Kia Contract Hire's early termination calculations are broadly intended to factor the costs and benefits of early termination against the amount it was originally intended to obtain from the agreed hire contract, had it run its full term. Clause 8.1b is in my view clear and unambiguous and should with relative ease allow Mr U to calculate the amount due on early termination under this clause. The amount calculated here is to be compared to the amount calculated under clause 8.1a, with Mr U required to pay the lower amount of the two.

Clause 8.1a is not in my view as clear as 8.1b and it would not be possible to easily calculate the amount due on early termination under this particular section. It would not be possible to easily determine ...*any benefits accruing to us in consequence of any such early termination*... and these potential benefits are not clearly defined or set out within the agreement terms.

Kia Contract Hire is required to ensure the agreement terms are clear fair and not misleading. Its agreement terms must be transparent and it is also required to treat its customers fairly. It is arguable the specific terms within clause 8.1a are not transparent or completely clear. So I have considered more broadly whether Mr U has ultimately lost out as a result of any lack of clarity within the terms. I have therefore considered what Kia Contract Hire has said is due to settle the hire agreement early and whether this amount is ultimately unfair.

Firstly, calculating the amount of rentals Mr U would be required to pay to the hire agreement had it ran full term and then comparing this amount to clause 8.1b, I'm satisfied the sum now due is less than 50% of the remaining unbilled regular payments. Mr U has not therefore been charged an unreasonable sum when considering clause 8.1b.

Clause 8.1a does allow 100% of the remaining unbilled regular payments to be calculated but does not however allow the easy calculation of any benefits accruing to Kia Contract Hire, or therefore what amount should be deducted from the 100% remaining unbilled regular payments. Like the investigator, I have considered the amount that Kia Contract Hire would now likely receive upon early termination by Mr U and compared this to the amount Kia Contract Hire would have likely received had the agreement run its full term. In my view, it would be unreasonable in the circumstances here for Kia Contract Hire to require Mr U to pay an amount on early termination that is higher than what it would have likely received if the agreement had run full term.

I have considered the likely value of the vehicle on the original contract end date, plus the amount of rentals Kia Contract Hire would have received and compared this to the likely value of the vehicle on early termination and the early termination settlement figure. I'm satisfied the sum Kia Contract Hire is now requiring Mr U to pay to settle the agreement early does not exceed the overall sum it would have achieved had the agreement run its full term. I am therefore not persuaded that Kia Contract Hire has unfairly benefitted from Mr U terminating the hire agreement early and the amount now due is not unreasonable in my view. I again note that Mr U believes the early termination charge should be reduced or waived because he was moving abroad, but I do not consider this to be sufficient grounds to instruct Kia Contract Hire to reduce the sum it has asked Mr U to pay to settle the agreement early.

Mr U argues that he took care of the car, it was in good condition when it was returned and this should be considered when determining the amount due on early termination. The contractual terms of the hire agreement require Mr U to take good care of the car and repair any damage that is beyond fair wear and tear. The expectation therefore is that Mr U may be required to pay more on termination if he has not taken care of the car. But that does not however mean he should pay less if the car is in the expected good condition required when the car is returned.

There seems to be little doubt that the way Mr U was treated and the information he was provided with when enquiring about early termination could and should have been better and clearer. He was quoted different amounts when enquiring about what was due to settle the agreement early and when a lower figure was quoted, this increased as VAT had been omitted. Kia Contract Hire has already accepted this and apologised, and now agreed to pay Mr U £200 for the distress and inconvenience this may have caused. I am satisfied the £200 is a fair and reasonable sum in the circumstances to compensate Mr U for the lack of clarity and confusion caused. I do not consider Kia Contract Hire should be required to pay Mr U anything more than it has already agreed to do.

My final decision

I appreciate Mr U will remain unhappy with the decision I have come to here but for the reasons set out above, there are insufficient grounds for me to instruct Kia Contract Hire to reduce the amount it has required Mr U to pay on early termination of the hire agreement.

Kia Contract Hire could and should have been clearer when explaining the early termination process and what Mr U would be required to pay and if it has not already done so, Kia Contract Hire should now pay Mr U £200 in recognition of the distress and inconvenience this has caused.

My final decision is that I uphold Mr U's complaint against Ald Automotive Limited trading as Kia Contract Hire and if it has not already done so, it must pay Mr U £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 24 December 2025.

Mark Hollands
Ombudsman