

The complaint

Mr R, as executor, complains on behalf of the late Mr R's estate about the fees applied by Santander Consumer (UK) Plc (Santander) for the sale and collection of the vehicle when it was necessary to end the agreement. Mr R also complains the balance wasn't reduced for interest although the agreement was ending early.

What happened

The late Mr R entered into a fixed sum loan agreement in January 2020 in order to acquire a used car. The cash price of the car was £5,812 and he paid an advance payment of £200. The total amount payable under the agreement was £7,662.20. This was to be repaid through 60 monthly repayments of £124.37.

In January 2023 Mr R contacted Santander to ask about the costs and charges. He requested a copy of the sales invoice. He also asked about a reduction in interest. Later requests were also made for this information, including in August 2023.

Santander responded to the complaint on 8 September 2023. It provided a breakdown of fees and explained the final payable balance (£831.10) had been calculated correctly. It said the auction proceeds and costs were generally treated as business privileged information. But it went on to break down the costs as follows:

- Sale price: £3,000
- Auction costs: £6
- Collection fee: £95

The proceeds applied to the remaining balance were £2,899. This was applied to the agreement on 7 October 2022, and left a balance of £831.10 to be paid. It said no additional interest had been deducted. This information was also reiterated in later correspondence on 16 August 2023.

Mr R remained unhappy and asked our service to investigate. He said he felt it was his duty as executor to establish the actual selling price at auction, the selling fees, collection costs and what reduction in interest charges should be applied as this agreement was terminated a little more than halfway through its term. He requested sight of the sales invoice.

On 28 March 2025, I issued a provisional decision. I said:

Interest Rebate

Firstly, I have reviewed a copy of the agreement, and I cannot see there is a provision for ending the agreement in the circumstances set out here – where the borrower has passed away. The terms do set out options for early settlement and options for Santander to bring the agreement to an end. Both of these include an interest rebate.

Santander have said the estate had two options provided to them to end the agreement. I've reviewed a copy of the options letter which was sent to Mr R on 2 August 2022 and Santander have provided some additional explanation in its submission to our service. This was as follows:

1. Settle the agreement

The options letter explained: "the agreement can be settled in full. Settlement figures can be obtained by contacting our Customer Service Department."

Santander have further explained if the estate had agreed to this then a settlement figure would have been sent including a rebate of the interest up to the date the settlement figure was provided. The settlement option was not taken so no figure was applicable. This option was set out in the terms of the agreement.

2. Sell the vehicle on behalf of the estate

The options letter explained: "if you decide you no longer need the vehicle, we can organize collection of the goods and arrange for them to be sold at auction. Following the sale, the net proceeds will be applied to the agreement and the estate may be responsible if there is a shortfall." Mr R was asked to send an email to an email address which was named "voluntarytermination" or to write to them.

Santander have explained this option was not an early settlement option. For this option, the vehicle would be collected and sold at auction. The sale proceeds were then deducted from the remaining balance and any outstanding balance is then due. This option seemed to have been bespoke and something offered outside of the terms of the agreement. Santander have explained this gave the estate the option of returning the vehicle.

Mr R, as executor, selected option two. Santander have explained no interest rebate was given because it was a voluntary termination of the agreement and not an early settlement. So, it said the estate is liable for the remaining balance. No additional interest was added to the agreement and the outstanding balance is what would have been due if the agreement had run its full term.

Mr R said Santander advised him that it owned the title to this vehicle and under those circumstances it appeared to be the correct course of action. The vehicle was at the home of the late Mr R and some distance from the executor. So, he decided not to dispute what he says he was told.

Having reviewed the options letter, I'm not satisfied it was made sufficiently clear that selecting option two meant, following the sale of the vehicle, the full balance owing under the agreement would be due as if the agreement had run its full course. The options letter only mentioned that there may be a shortfall which the estate would be liable to pay. Mr R asked about the interest rebate after receiving information about the outstanding balance. He has also said he was surprised to find out the balance would not be reduced even though the agreement was ending early. So, I don't think Mr R was in a position, as executor, to make an informed decision on behalf of the estate or that the impact of the option was made clear.

Additionally, I think it was clear to all the parties that the estate was looking to end this agreement early and the evidence I have doesn't indicate there were insufficient funds to do so. After the sale proceeds were applied, Mr R said he would look to settle the balance once probate had been granted. This was granted on 10 July 2023. Although I appreciate the balance has not yet been cleared, Mr R has stated frequently this is because he disputed the balance owed and it would be paid when he had a satisfactory response.

The question remains whether it is fair and reasonable for interest to be applied to the agreement as if the loan had run its full course. I'm mindful there's no provision for this in the agreement and it does not include the same termination rights as a hire purchase or conditional sale agreement. I'm also sure Santander did not intend to benefit from the unfortunate circumstances. However, considering the car will not now pass to the estate and being mindful of the circumstances set out above, it doesn't seem fair for Santander to charge the remaining balance as if it had run its full course when it was clear the estate intended to end the agreement early.

Taking everything into consideration, I'm satisfied Santander should provide the estate with the opportunity to pay the balance as if it had been settled early and with a reduction for the interest rebate. It's clear to all parties the estate was always looking to settle the agreement early (notwithstanding the dispute around the remaining balance and grant of probate) and I think it would be fair for Santander to apply an interest rebate in accordance with early settlement regulations. The sale proceeds were applied to the agreement leaving a balance of £831.10 and I think the interest rebate should be calculated as if final settlement was made one month after probate was granted in July 2023. This reasonably reflects the amount of time it was likely to have taken for the remaining balance to be confirmed and the estate to settle it had there been no dispute.

Other charges

Having reviewed matters, I appreciate it would have been helpful for Santander to provide a breakdown and supporting evidence sooner than it did. However, seeing this evidence did not resolve matters for Mr R.

I have reviewed a copy of the sales invoice, and the charges Mr R is concerned about. I appreciate he feels strongly about his duty as executor of the estate. I'm satisfied from what I've seen that this car was sold at auction for a sum of £3,000. It also shows the auction fee of £6. The information is consistent on Santander's system notes and there isn't anything concerning about the invoice I've seen.

Santander haven't provided an invoice for the collection fee and have said there isn't one available. So, I've had to reach a decision based on the evidence which is available. The system notes support the collection fee. Additionally, I don't consider £95 an unreasonable amount for the vehicle to be collected and moved to an auction house.

Overall, I'm satisfied Santander have provided sufficient evidence to demonstrate the sale proceeds were £3,000. I'm also satisfied it was reasonable for Santander to reduce this amount to reflect the auction costs and collection fees. Had Mr R chosen to sell the vehicle on behalf of the estate, it's likely the estate would have incurred some similar costs.

I gave both parties the opportunity to respond to my provisional decision and provide any further evidence or comments for me to consider. The deadline to respond was

11 April 2025. Mr R responded to say he accepted the decision although did note he tried to settle the agreement earlier. Santander requested more time to respond, but I've received no further correspondence. I'm satisfied a reasonable amount of time has now passed for a response, and I have proceeded with a final decision on the matter.

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.

Taking into consideration all of the circumstances of this complaint, I see no reason to depart from the outcome I reached in my provisional decision. I acknowledge what Mr R has said about attempting to settle the agreement earlier. I can see there was a period when the parties were waiting for the grant of probate. I can't say with certainty when the settlement would have been paid, so I've thought about what was most likely to have happened on balance and I'm satisfied it's reasonable in the circumstances to take this as one month from the date probate was granted.

Putting things right

The sale proceeds from the vehicle were applied to the remaining balance leaving the estate with a liability of £831.10. Santander should calculate an interest rebate in accordance with early settlement regulations and this should be calculated as if final settlement was made one month after probate was granted. The estate should be provided the opportunity to settle the agreement on this basis. I'm satisfied this is fair and reasonable in all the circumstances of the complaint. For clarity, the estate should be afforded a reasonable opportunity by Santander to pay the remaining balance after it is calculated and communicated to Mr R. I'd generally expect this to be one month.

My final decision

I'm upholding this complaint and Santander Consumer (UK) Plc should put things right in the way outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr R to accept or reject my decision before 6 June 2025.

Laura Dean
Ombudsman