

The complaint

Mrs W complains about the credit agreement she took out with Motability Operations Limited ("Motability"). She says she's unhappy that Motability have terminated her agreement and rejected her request to purchase the car. She'd like the opportunity to retain the current agreement or be allowed to purchase the car.

What happened

In December 2023 Mrs W was supplied with a car by Motability financed through a hire agreement. Under the hire agreement, the *Advanced Rental Payment* was £899, and the rental instalments were to be paid as 39 amounts at 4-weekly intervals.

Mrs W says she has a provisional driving license and is unable to use public transport. She told us that she received a notification about a medical appointment, and although there was no-one available to supervise her driving to the hospital, she decided to drive there herself alone. Mrs W says she was involved in an accident with another driver on this journey.

Mrs W is unhappy that Motability has cancelled her hire agreement and made arrangements to collect the car. And although she's asked about purchasing the car, Motability has rejected this request.

Motability rejected this complaint. It said an insurer had "*repudiated the insurance claim*" following Mrs W's traffic accident. It said this was because she was driving uninsured at the time of the incident in contravention of her legal obligations. Motability did agree to cover the costs of the insurance claim itself, but it terminated Mrs W's agreement because she'd breached the terms and conditions. Motability says purchasing the car was not an option.

Motability told this Service that Mrs W was driving the car as a provisional licence holder, without being accompanied by a full licence holder, and the car was not displaying L- plates. And under the terms of the agreement, it can be terminated if the car is used in contravention of any legal requirement.

Our Investigator looked at this complaint and said she didn't think it should be upheld. She said Mrs W had been driving uninsured, and the terms of the hire agreement permitted Motability to terminate the arrangement under these circumstances. And she said that the four-year sanction that Motability applied was in line with its policy. In summary, she didn't think Motability had done anything wrong.

She looked at the hire agreement and said she didn't think the terms of Mrs W's hire agreement gave her any right to purchase the car at the end of the term – it was for Motability to decide the basis upon which it ran its business.

Mrs W said she rejected these findings, and she sent in her medical records to support her position. So our Investigator looked at things again. And although it went some way to explaining why Mrs W may have taken the decision to drive the car, she still thought Motability had applied the terms of its agreement correctly.

Mrs W disagreed so the complaint comes to me to decide.

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 hope that Mrs W won't take it as a discourtesy that I've condensed her complaint in the way that I have. Ours is an *informal* dispute resolution service, and I've concentrated on what I consider to be the crux of this complaint. Our rules allow me to do that. Mrs W should note, however, that although I may not address each individual point that she's raised, I have given careful consideration to all of her submissions before arriving at my decision.

Mrs W was supplied with a car under a *hire agreement*. This is a regulated consumer credit agreement which means we're able to look into complaints about it. And the Motability scheme that arranges the car and hire agreement is governed by some terms and conditions that I have also considered here.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs W and by Motability.

Having taken everything into consideration, I've reached the same conclusions as our investigator, and I'll explain why.

Termination of the hire agreement

There's no dispute between the parties about what happened. Mrs W accepts she drove the car alone, with only a provisional driving license and no L-plates. And that on that journey she was involved in a car accident with another driver. And because she was driving uninsured, the insurer rejected the claim; Motability, as a gesture of goodwill, agreed to cover the costs of the claim.

Where the parties do disagree is on the matter of the hire agreement being terminated because of the events I've set out above.

I've looked very carefully at the hire agreement that Motability relies upon for its position. Mrs W entered into this agreement in December 2023, and in signing it, agreed to be bound by its terms and conditions.

Section 3.1 says *"You must ensure that the Vehicle is used properly and only for the purpose for which it was designed. You must ensure that the Vehicle is not used for any unlawful or immoral purpose or in contravention of any legal requirement"*

So I'm satisfied that Mrs W ought reasonably to have been aware that in driving the car, she had an obligation to comply with all legal requirements.

Section 11.1 says *"We may terminate this Agreement by providing you with written notice if at any time...you do not comply with any of your main obligations under this Agreement"*.

And this section makes it clear that failure to comply with her obligations might lead to the termination of the agreement.

So, looking at both of these sections together, I don't think Motability did anything wrong when it terminated Mrs W's hire agreement after discovering she'd been involved in a traffic

accident whilst driving uninsured. And Motability's internal policy sets out the sanction period to be applied following a breach of contract by one of its customers. Its policy confirms a four-year sanction is to be applied when a customer drives uninsured, so I'm satisfied that it sanctioned Mrs W in accordance with its policy.

Purchase option

Mrs W complains that she hasn't been able to persuade Motability to permit her to purchase the car from it.

But the agreement that Mrs W made when the car was supplied to her was a *hire* agreement, not a *hire purchase* agreement. That difference is important since a hire agreement doesn't provide a consumer with the right to purchase the car, at an agreed price, at the end of the agreement. That right is however present in a hire purchase agreement.

So, the agreement that Mrs W signed in December 2023 simply allowed her the use of a car for a set period of time – and at the end of that term she would need to return the car to Motability. And on the agreement, underneath where Mrs W signed to confirm acceptance of the terms of the agreement, there's a statement that says: *"Under this Agreement the Vehicle does not become your property and you must not sell it"*.

The agreement says, *"You must promptly return the Scheme Vehicle and any Adaptations to whom we direct at the end of the Hire Term at your expense together with the Certificate of Insurance, all keys, the handbook, the service record book and, where applicable, a current MOT test certificate"*.

So, I'm satisfied that neither the terms of the hire agreement, nor the terms of the Motability scheme provided a contractual right for Mrs W to purchase the car.

In this particular case I think that Motability has acted entirely within the terms and conditions of both the Motability scheme and the hire agreement that Mrs W signed. I don't think Motability has done anything wrong, and I don't think the complaint should be upheld. I know Mrs W will be disappointed with the outcome of her complaint, but I hope she understands why I've reached the conclusions that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 11 June 2025.

Andrew Macnamara
Ombudsman