

The complaint

Mr N1 complains about the quality of a new car acquired through a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services ('VWFS'). Mr N1 says that he cannot now afford the agreement and the loss in value of the car means that he cannot exit the agreement without a significant loss.

What happened

Mr N1 has made the complaint. However, the agreement is between Mr N2 (his father) and VWFS. But I understand that Mr N1 has said this arrangement was put in place to enable him to acquire the car. Mr N1 says he is paying for the car (via Mr N2), he was involved in setting up the agreement and he has made the complaint. Mr N2 is aware of all of this.

I'll refer to the complaint as being from Mr N1, as he has made and corresponded about the complaint. But all parties should be aware that Mr N2 should be the complainant as he is the person who the contract complained about is with. And Mr N1 should be acting on his behalf in some respects. And Mr N2 will ultimately be responsible for any loss that may occur as the hire purchase agreement is between him and VWFS.

Mr N1's complaint is about a car acquired in November 2022. The car was new. Mr N2 acquired the car using a hire purchase agreement that was started in November 2022. The vehicle had a retail price of £92,754. The consumers paid a £927.54 deposit meaning £91,826.46 was financed. This agreement was to be repaid through 48 instalments. There were 47 monthly repayments of £1,353.84 and then a final instalment of £46,037.96. If Mr N2 made the repayments in line with the credit agreement, he would need to repay a total of £110,605.97.

The contract has termination rights. Mr N2 can return the car when half of the amount of the agreement is paid. That is £55,302.98.

Mr N1 has complained to VWFS saying that resale value of the car was too low, and he was unhappy with the contract that had been agreed.

VWFS considered this complaint, and it didn't uphold it. It said it had no control over the second hand value of the vehicle. It values vehicles at the time they are sold. It didn't think there were any errors with the contract. VWFS said it wasn't party to the conversations about the agreement at the time.

Mr N1 didn't agree with this and brought this complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold the complaint. She said that it wasn't established that Mr N1 (or Mr N2) were misled about the value of the car at the time of sale. And she said there wasn't a guaranteed future value of the car in the finance contract as it was a hire purchase agreement not a personal contract purchase ('PCP'). The agreement clearly set out the agreement terms and conditions.

Mr N1 didn't agree with the Investigator. He did say that he now realised the agreement was a hire purchase contract and not a PCP (in which the car would have a guaranteed future value). But he said the documentation was misleading as some of the letters referred to a brand name for a PCP contract and not a hire purchase agreement.

There was some further correspondence, but our Investigator didn't change their opinion that this complaint shouldn't be upheld. It was clarified that the ongoing issues that Mr N1 had, that formed part of this complaint were:

- That the car was overvalued at the time of sale and so it was always likely that they would end up losing money.
- Given the fall in the value of the car he could have waited few months and acquired a car with much lower monthly repayments.
- If the car was stolen, or in an accident, he would still be liable for the amount he owes, this is a significant risk to him.
- The insurance to mitigate this risk is very expensive. And the insurance for the car itself is also very expensive.
- Mr N1 would normally just be able to part exchange the car and get into something more affordable, but he can't because of all the above and he feels they are trapped in the contract.

Because Mr N1 and Mr N2 didn't agree, this matter has been passed to me to make a final decision.

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.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider was good industry practice at the relevant time.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I understand that VWFS wasn't a party to some of the sales negotiations, and it may not have been aware of what was discussed between Mr N1 and Mr N2 and the dealer. But it can still be responsible for what was discussed and the information that the consumers was provided by a broker and car dealer. This is because section 56 of the Consumer Credit Act 1974 establishes that a finance company can be held responsible for antecedent negotiations carried out by their agent that take place before the agreement is entered into.

So, to uphold this complaint, I need to be satisfied that a misrepresentation has taken place. And this false statement induced Mr N2 into entering into the agreement. And if this false statement wasn't made that he wouldn't have entered into the agreement.

Mr N1 has complained that they were told the contract entered into was a PCP. And so, it should provide a guaranteed value of the car at the end of it.

I've looked at the hire purchase contract that Mr N2 started. It fully explains how the contract works. It explains, amongst other things, what would need to be repaid and when, including

the final repayment at the end. It also includes the interest rate and the total amount payable and the other important information you would expect to see in a hire purchase agreement.

The contract also does clearly say that it is a hire purchase agreement and there is no information saying that it is a PCP. Related to this is that the final payment isn't described as relating to a guaranteed value of the car. And there is no other information about the car having a guaranteed value in any of the point of sale information I've seen. So, I don't think that Mr N1 and Mr N2 were misled about the type of contract that was started.

Mr N1 has provided some letters from VWFS that refer to a 'Solutions' contract and he ordinarily says this would refer to a PCP agreement. But this letter only contains information about the payments, and it isn't misleading. And it was sent after the agreement was entered into, so I don't think they can say that this letter could have influenced the decision to enter the agreement.

Overall, I don't think it's reasonable to say that this contract, or any of the correspondence surrounding it, was misleading.

I think it's reasonable to say the crux of this complaint is about the value of the car. Mr N1 thinks it was valued too high when it was new, and this is demonstrated by the very significant fall in the value of it since it was acquired.

Mr N1 has provided commentary and evidence of valuations that show the car may have lost about 60% of its value after about ten months, that is he thinks it is worth around £35,000 to £45,000 at the most now. So, the payment that will need to be paid at the end of the hire purchase is likely to be significantly more than the value of the car. And Mr N2 currently owes much more than the value of the car. So, I can see they can't leave the contract without a financial penalty and Mr N1 is concerned they won't be able to pay the final repayment if they sell the car.

Mr N1 thinks that the car price wasn't ethical, given the fall in value of the car after it was purchased. And he says that this is in part due to the car industry itself. But the purchase price of a car is a matter for a business' commercial judgement. The dealership and or manufacturer does have a right to determine what it thinks is the right price to sell at, and Mr N1 or N2 could decide whether they wanted to pay this or not. And none of the parties involved in the complaint would have much influence on the second hand price of the car, this would be mostly set by market forces. I think it would be beyond my remit here to say what the price of a car should be.

And this complaint is about the finance company, and whilst it does have some responsibilities about the car, in particularly about the quality of it and how it is represented. I don't think these extend to the pricing of a new or used car, in this situation.

I have taken on board what Mr N1 has said about the pricing of electric vehicles being unethical and how he could have purchased a similar car at a much lower price if he had not bought a new one. But I don't think these relate to anything the finance provider should, or shouldn't, have done. I don't think this would be a situation where I could uphold the complaint for this reason.

And Mr N1 has said that the cost to insure the car is very expensive and he has insurance to cover any loss in value of the car if he were to sell it which is also expensive (I've not seen these policies). But there are costs associated with ownership of the car and information about them would have been available to Mr N1 and Mr N2 before they started the contract. And again, they don't relate to a part of the car ownership that VWFS would be involved in or have any influence over.

So, whilst I can see that Mr N1 and N2 may now be in a difficult situation, due to the finance repayments and the cost of the insurance, I don't think I can reasonably uphold Mr N1's complaint about the associated car ownership costs.

So, having considered everything, I'm not upholding Mr N1's complaint about how he said the car was priced and valued at the time of supply and going forward.

Mr N1 has said that finance repayments are not affordable for them, when the insurances he is also paying are taking into consideration. I haven't seen that any party to the complaint has complained about whether the finance was affordable for Mr N2 to VWFS. And they would need to do this before they bring a complaint to the Financial Ombudsman. Mr N1 and N2 could also raise any issues they have about how the contract was set up in that Mr N2 is the contract holder if they think this would be appropriate.

Overall, I'm not upholding Mr N1 and Mr N2's complaint.

My final decision

For the reasons set out above, I don't uphold Mr N1 and Mr N2's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N1 and Mr N2 to accept or reject my decision before 3 September 2025.

Andy Burlinson
Ombudsman