

The complaint

Mrs K complains that Black Horse Limited trading as Land Rover Financial Services (Land Rover) hasn't settled the personal contract purchase (PCP) agreement she took out with it for the supply of a new car fairly.

What happened

In January 2020, Mrs K took out the PCP agreement with Land Rover for the supply of a new car. Under the agreement, from March 2020, Mrs K made 48 monthly payments of £1,105.52 by direct debit and was to make a final (or balloon) payment of £43,015 at the end of the contract term in March 2024.

In July 2020, when the car was at a dealership for warranty repairs, it was stolen. The car was later declared a total loss for insurance purposes.

Mrs K reported all of this to Land Rover. A new car was ordered. It was delivered in October 2022. So Mrs K didn't have the use of the car for around 15 months. But she continued to make the monthly payments of £1,105.52 under the PCP agreement for those 15 months (and beyond them, up to and including the 48th payment).

At the beginning of March 2024, Land Rover tried to take the final balloon payment of £43,014 under Mrs K's PCP agreement by direct debit. The payment failed. When Mrs K found out what had happened, she complained to Land Rover. She said it hadn't told her about her end-of-contract options and had tried to take the balloon payment without giving her any notice.

Land Rover upheld Mrs K's complaint. It accepted that, due to a system error, Mrs K hadn't been sent any letters confirming the end date of her PCP agreement and the options available to her. Land Rover offered Mrs K a two-month grace period until May 2024 in which to settle the outstanding debt of £41,908.48 (Mrs K having, at that stage, made a further payment of £1,105.52 after the PCP agreement had ended).

Mrs K was unhappy with Land Rover's proposed resolution and so referred her complaint to us. Mrs K said she'd either like until October 2024 to raise the funds to make the balloon payment or to have the PCP agreement "co-terminated" with the length of time she'd actually had use of the car. Mrs K was also unhappy she'd made monthly payments for a 15-month period when she didn't have the use of the car.

Mrs K said she subsequently made the balloon payment in August 2024 but she also said Land Rover recorded a default in connection with it on her credit file.

The investigator who looked at Mrs K's complaint didn't uphold it. She thought it was fair of Land Rover to offer Mrs K a two-month grace period in which to make the balloon payment and she didn't think Mrs K had overpaid on her PCP agreement by 15 months.

Mrs K disagreed with our investigator's findings and asked for an ombudsman to review her complaint.

In my first provisional decision of 27 February 2025, I said that, based on the limited information I had, I intended to uphold Mrs K's complaint. Mrs K accepted my provisional decision. Land Rover responded with some new information, which included three recordings of calls it had had with Mr K (Mrs K having given Mr K authority to deal with Land Rover about the agreement).

The information Land Rover sent us altered my conclusions on Mrs K's complaint and so, on 8 May 2025, I issued a second provisional decision. In it, I explained that, while I still intended to uphold Mrs K's complaint, it would be on a much more limited basis than I'd set out in my first provisional decision.

Mrs K hasn't responded to my second provisional decision, while Land Rover has accepted it. Mrs K's complaint has now come to me for 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.

I've also considered the relevant law and regulations, any regulator's rules, guidance and standards, any codes of practice, and (if appropriate) what I consider was good industry practice at the time.

For the reasons I gave in my second provisional decision, I've decided to uphold Mrs K's complaint in part. At the beginning of my second provisional decision, I referred to my first provisional decision in which, among other things, I said:

"the circumstances in which the car was stolen were unusual. And I think it's also unusual that delivery of the replacement car took so very long. This is something that, in its capacity as finance provider, Land Rover might not be responsible for. That said, the circumstances in which the replacement car was provided aren't clear to me. Nor is it clear to what extent Land Rover – acting as a finance provider – was involved in that process. I say this because neither Mrs K nor Land Rover has been able to show us clearly how it came to be that Mrs K was provided with the replacement car. Nevertheless, I find it most likely Land Rover has that information, particularly since it chose to allow the agreement to continue, despite the car not being in Mrs K's possession. And I've seen notes in which Mrs K chased the delivery date of the replacement car with Land Rover. So it seems likely to me that Land Rover had some role in the replacement of the car.

In any case, as the finance provider, I think Land Rover did have other responsibilities to Mrs K. I think it had a duty to tell Mrs K clearly exactly what would happen and why with her PCP agreement, if she decided to replace the car. In other words, that the payment arrangements under her original PCP agreement, including the date of the balloon payment, would remain unchanged – no matter how long it took to replace the car. And I think Land Rover also had a duty to tell Mrs K clearly what other options were available to her – in particular, how she could use the insurance proceeds to settle the PCP agreement and what the financial implications of that would be for her. I think Mrs K should've been in possession of all of this information as part of the process of her deciding what was best for her following the theft of the original car.

So far, I've seen no evidence Land Rover did any of these things – and, if it did, it's had ample opportunity to send us its evidence. But if Land Rover can show me – in letters, emails, phone calls, etc – that it explained the options (as I've outlined them above) to Mrs K and she decided to replace the car knowing what that would mean for her payments under

the PCP agreement, it should let me know because it could completely alter my view on this aspect of Mrs K's complaint."

In my second provisional decision, I went on to say:

"Land Rover has now sent me recordings of three calls it had with Mr K on Mrs K's behalf. The first call was on 21 September 2020 when Mr K called to inform Land Rover the car had been stolen on 9 September and the insurance company would be dealing with the claim. In this call, Land Rover gave Mr K a settlement figure and said it would give the insurance company the settlement figure if asked. Land Rover told Mr K that the direct debit for the monthly payments would still be in place until the agreement was settled.

The second call was on 8 December 2020 when Land Rover called Mrs K for an update. Mr K took over the call. He said the insurance company was replacing the car, he expected it to arrive in March 2021 and the insurance company had advised the monthly payments still needed to be made. During the call, Land Rover told Mr K the payments and the length of the agreement would stay the same. Mr K said he understood this. Land Rover also said, when the new car arrived, Land Rover would need a Nil Balance Invoice (NBI) with the replacement car details so it could update its records.

The third call was on 2 July 2021 when Land Rover called Mrs K for an update as it hadn't got an NBI for the replacement car. Mr K said he didn't have the car as parts were required. During the call, Mr K said he understood that the payments and the term of the agreement would stay the same, with just the car details changing.

Land Rover says it got an NBI from Mrs K's insurer on 5 October 2021. Land Rover says, on the same date, it then sent Mrs K an agreement modifying her original PCP agreement. Land Rover says that, while it doesn't have a copy of the actual modifying agreement it sent to Mrs K, it does have a template agreement, a copy of which it's sent us. This agreement says the hirer has arranged for replacement goods to be provided and so the description of the goods in the original agreement is varied. It says all other terms and conditions of the original agreement remain the same.

Land Rover says it asked Mrs K on a number of occasions for the return of the modifying agreement but hasn't received it (although I understand Mrs K has told Land Rover she did return it).

Land Rover also says Mrs K's insurer says she was offered a choice of either a like-for-like replacement car or the settlement of the PCP agreement. Land Rover says Mrs K's insurer says Mrs K chose to replace the car and would've needed to sign documents confirming this; also, that the insurer administered the claim and sourced and supplied the new car. I haven't got a recording of Land Rover's call with Mrs K's insurer but I think it's likely Land Rover has given us an accurate account of what the insurer said.

We sent all of the new information from Land Rover to Mr K (on Mrs K's behalf) for their comments. Mr K says the fact remains that Land Rover said the monthly payments needed to continue and this was "not corrected or followed up in terms of changing or rectifying to the new vehicle or co-termed". Mr K says Mrs K was offered no car or support while paying for a car she didn't have. Mr K says they were asked out of the blue for a final settlement, had an enforcement company turn up at their home chasing payment and defaults placed on their credit file.

I said in my first provisional decision that new evidence about Land Rover's role in the replacement of the stolen car could completely alter my view on the first aspect of Mrs K's complaint. Land Rover has now supplied that evidence. And, although it has been supplied

in my view much later in the day than it should've been, it nevertheless does completely alter my view here, as I'll explain.

In my first provisional decision, I said Land Rover had a duty to tell Mrs K clearly exactly what would happen and why with her PCP agreement, if she decided to replace the car. In the calls Land Rover has sent us, it makes clear that, if Mrs K replaces the car, she must continue with the monthly payments. I also said Land Rover had a duty to tell Mrs K clearly what other options were available to her – in particular, how she could use the insurance proceeds to settle the PCP agreement and what the financial implications of that would be for her. In the first call Land Rover sent us, when Mr K first reports the theft, it gives Mr K a settlement figure and it's clear to me from the call that Mr K understood what this meant.

It is, of course, very unfortunate that it took so very long for Mrs K to get the replacement car and that she was without a car for this time. But, from what I've seen now, I don't think either of these things were Land Rover's fault. From the new evidence I've now got, I'm satisfied Land Rover wasn't directly involved in Mrs K's decision to get a like-for-like replacement car (rather than settle the finance). And I think Land Rover made it clear to Mrs K (via Mr K) that she could settle the finance but, if she didn't, she'd need to carry on making the monthly payments. At the end of the day, from what I've seen, Mrs K chose to get a replacement car, knowing that she could settle the finance if she wanted to – but would otherwise need to continue making payments.

It follows from all of this that I now don't intend to uphold this aspect of Mrs K's complaint. Turning next to the other aspect of Mrs K's complaint, that Land Rover tried to take the balloon payment without notifying her of this or of her end-of-contract options. In my first provisional decision, I said:

"Land Rover has accepted it made a mistake here. And it apologised to Mrs K and offered her a grace period of two months in which to make the balloon payment.

I think Land Rover is right to say it didn't treat Mrs K fairly in relation to the balloon payment. But I don't think Land Rover has gone far enough in putting things right for Mrs K here. I also don't think Land Rover made it as clear as it should've at the outset to Mrs K that her original PCP agreement was unchanged. And, in relation to the balloon payment, this was compounded by Land Rover not sending Mrs K any of its usual reminders about the agreement coming to an end. It must have been incredibly shocking for Mrs K to find Land Rover had tried to take a direct debit of over £40,000 from her without warning – something that it then took Mrs K time and effort to sort out. Based on what I've seen so far, for the distress and inconvenience this has caused Mrs K, I intend to direct Land Rover to pay her £500 in compensation."

Land Rover has now shown us that it was made clear to Mrs K in its calls with Mr K that the terms of her original PCP agreement wouldn't change when she got the replacement car. In these circumstances, I don't think it would be fair and reasonable to award Mrs K £500 in compensation for distress and inconvenience. But Land Rover did get the NBI from Mrs K's insurer in October 2021 and it accepts that the tag that was placed on Mrs K's account by its total loss department should've been removed and the account returned to normal processing. I'm still of the view that Mrs K must've been very shocked when Land Rover attempted to take a direct debit of over £40,000 from her out of the blue. For the time and effort this took Mrs K to sort out, I now intend to award her £250.

Following my first provisional decision, we asked Mrs K and Land Rover for more background on when the balloon payment was made and about the default it recorded on Mrs K's credit file. In relation to the balloon payment, Mrs K says this was made in August 2024 and Land Rover also says two payments were made at the beginning of August 2024.

In relation to the default on Mrs K's credit file, Land Rover says Mrs K was sent a letter on 24 July 2024 saying a field agent would be visiting her because of missed payments on her account. Land Rover says that visit took place on 30 July but Mrs K wasn't at home and so a letter was left for her. It says Mr K made payments to settle the balloon payment soon after. Land Rover also says that, on a call with Mr K on 5 August 2024, it "agreed to remove any credit file impact" from Mrs K's records. Land Rover says it has confirmed with its credit reference agencies department that "no adverse" has been recorded on Mrs K's credit file and the PCP agreement is recorded as settled on 5 August 2024.

I know Mrs K is unhappy that Land Rover continued its collection activities while her complaint was with us and doesn't think this is fair. But Mrs K's balloon payment was due at the beginning of March 2024 so I think Land Rover gave Mrs K a fair and reasonable amount of time in which to make the payment before it started its collection activities. That means I don't think there was anything substantially wrong with Land Rover's collection activities and, since it says the PCP agreement has been recorded as settled, there's nothing it needs to do to put things right. If, however, Mrs K can give us evidence that adverse and/or inaccurate credit information has been recorded against her by Land Rover, then I will direct Land Rover to update its records."

As I've already said, Mrs K hasn't responded to my second provisional decision, while Land Rover had accepted it. And I've seen nothing to suggest I should change my conclusions.

My final decision

For the reasons I gave in my second provisional decision, I uphold Mrs K's complaint in part and direct Black Horse Limited trading as Land Rover Financial Services to pay her £250 in compensation for the distress and inconvenience it caused her in attempting to take a direct debit of over £40,000 from her without sending her its standard end-of-contract documentation.

Black Horse Limited trading as Land Rover Financial Services must pay this compensation within 28 days of the date on which we tell it Mrs K accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 3 July 2025.

Jane Gallacher

Ombudsman