DRN-5634627

The complaint

Mr F complains MI Vehicle Finance Limited (MI) haven't treated him fairly because it didn't show him forbearance and due consideration when he experienced financial difficulties.

What happened

Mr F entered into a hire purchase agreement with MI in January 2023 in order to acquire a car. The cash price of the car was £15,198 and the total amount payable under the agreement was £20,374.60. The duration of the agreement was 60 months. The monthly repayments were £339.56. Mr F agreed to voluntarily terminate the agreement on 25 February 2025 because he could no longer afford the repayments. Mr F was required to pay a shortfall of £1,698.30.

Mr F has explained he is in severe financial hardship and does not have a stable income. He asked MI to write off the shortfall. He has said this is not a temporary situation for him and he cannot afford essentials, so he won't be able to meet a repayment plan. MI asked for information about his financial situation but hasn't agreed to write off the debt.

Therefore, Mr F made a complaint in March 2025. He complained that he has provided information to MI about his circumstances, it continues to send letters to him about the amount owing even though he has asked for emails and there is a discrepancy over the balance. He also raised his frustrations about the experience he had returning the car.

MI responded to the complaint on 2 April 2025 and explained it was unable to waive the outstanding balance relating to the voluntary termination. It confirmed it was willing to find a solution and an affordable arrangement, but it would need additional information, such as the reason Mr F was experiencing financial difficulty. It said it had previously asked for more information but hadn't received it. It also said some correspondence would need to be sent by post to meet its legal obligations, but all other correspondence would be sent by email.

Mr F remained unhappy and asked our service to look into things. Our Investigator issued a view explaining why he didn't think MI had acted unreasonably.

Mr F didn't agree with our Investigator's findings. In summary, he said:

- He is experiencing serious and long-term financial hardship. He is not in employment, has no stable income and his family depends entirely on state support to meet basic living costs. The situation isn't temporary and there is no prospect of financial improvement.
- He has engaged with MI and provided his financial statements. MI's repeated requests for further information and continued pursuit of the debt feel more like pressure than support. He simply cannot afford to pay.
- Continuing to pursue the debt places unnecessary emotional and psychological stress on him and his family. The pressure has impacted his well-being, and it's disheartening to feel unsupported in such a vulnerable position.

He has asked for his complaint to be considered in relation to the regulations and through the lens of fairness and compassion. He feels writing off the remaining balance would be a humane resolution in the circumstances.

Therefore, the complaint has been passed 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.

My role is to consider whether MI have acted reasonably and fairly in respect of the concerns raised by Mr F. I appreciate Mr F has requested I consider directing MI to write off the balance. I could only do this in certain circumstances. For example, if I found MI had done something wrong which meant he shouldn't be liable for the outstanding debt, or if I found it wasn't fair for it to pursue Mr F for the remaining balance.

The amount due has arisen because Mr F opted to voluntarily terminate the agreement. There was a shortfall because the payments made under the agreement had not reached at least half of the total amount payable. MI sent Mr F a letter confirming the voluntary termination and a shortfall of £2,037.86. However, correspondence on the 3 March 2025 confirmed a remaining balance of £1,698.30. Mr F received the later correspondence and then questioned why the balance seemed to increase. MI promptly explained that since sending the voluntary termination letter confirming the shortfall, a payment had been made. So, I'm satisfied this difference can be explained by the cross over in correspondence.

Mr F has said the amount paid was nearly 50% of the total amount payable. Also, the car was in good condition, and he had done less than the maximum number of miles allowed. I understand the points made by Mr F but under voluntary termination consumers are liable for half of the total amount payable under the agreement. This is set out in Section 100 of the Consumer Credit Act 1974. MI also made it clear in the agreement documentation. For these reasons, the points made by Mr F don't satisfy me he shouldn't reasonably be liable for the shortfall.

Nevertheless, I appreciate he has raised concerns about the overall fairness of MI pursuing the shortfall. Mr F has provided bank statements to MI to demonstrate his current financial situation and has said it is not due to improve. He said based on this it would be fair for MI to write off the remaining balance. I accept that Mr F is in a very difficult situation, and I want to assure him that this is not in doubt.

I've reviewed the system notes provided by MI and I'm satisfied it considered the information provided by Mr F. However, MI asked some further questions to understand more detail about his circumstances. I've seen email correspondence from March 2025 which included questions such as:

- why he was currently out of work;
- why he would be unable to consider a payment plan in the future;
- what plans he had in place to improve his circumstances; and
- whether he'd received independent advice.

It also asked some specific questions about Mr F's financial circumstances. MI have said it asked these questions to best understand how to help Mr F. I've not seen evidence which satisfies me Mr F has answered these questions in such a way that would enable MI to understand how best to help him. For example, he referred back to the bank statements already provided and said his circumstances would not change.

Thinking about the questions themselves, the statements provided by Mr F and MI's explanation, I don't find MI has acted unreasonably by asking these questions. There are many ways a lender might offer forbearance to its consumers. I'm satisfied these questions would give MI relevant information to decide how best to support Mr F. They are around the reasons for his current circumstances, his strategies for the future and the advice he's obtained. I don't think it has acted unreasonably by requesting this information and without it I can't say it ought to have done anything differently to support Mr F.

Overall, I'm unable to say MI should write off the remaining balance. This is because Mr F reasonably remains liable for the shortfall following voluntary termination of the agreement. I appreciate Mr F will be considerably disappointed and I understand he is in a very difficult situation which is not due to change. However, I'm not satisfied MI have done something wrong by declining to write off the balance. It seems willing to support Mr F in other ways and the additional information it has requested isn't unreasonable. Although Mr F has said he cannot afford a repayment plan, this isn't in itself a reason to say MI ought to write off the balance. And if MI is to provide other support to Mr F, then it is reasonable for it to ask about Mr F's circumstances. As it hasn't had sufficient answers to these questions, I can't say it ought to have done anything differently. Going forward, I'd expect MI to reasonably show Mr F forbearance and due consideration.

Mr F also complained about letters he received when he requested MI only contact him by email. This is his preferred method of contact, and he has explained the emotional impact of receiving letters. I have seen MI considered his request for email only correspondence and confirmed it sent some correspondence by post to satisfy its legal obligations. There are certain notices which MI are required to send in relation to arrears, and it's not unreasonable that it has decided letter correspondence is suitable for meeting this obligation. MI also explained it will send some correspondence via letter in its agreement documents. However, it confirmed it would send all other correspondence via email. So, I'm satisfied from this it fairly considered Mr F's request for email correspondence and has agreed to reduce the number of letters by using email for all other correspondence.

Notwithstanding the above, Mr F has also complained about the difficulty he had returning the car. It does seem there was some confusion caused by MI when he went to return the car. Mr F asked for final instructions for dropping of the car in an email on 27 February 2025. The drop off was agreed for 3 March 2025. There wasn't any further correspondence from MI until the morning of 3 March 2025 when it asked Mr F to confirm he was dropping off the car.

It also looks like written confirmation was sent on 3 March 2025 at 8:27 to the drop off site. However, a later email which was sent by MI at 11:31 confirmed a different site should have been contacted. Mr F has also sent a copy of an email which explained the auction site had requested confirmation be sent to the correct department and site.

Additionally, Mr F has provided an email sent to him by MI on 3 March 2025 which explained it would usually ask customers to book in a delivery slot. From the correspondence I've seen, it doesn't appear Mr F was asked to do this, and it seems this would have avoided some of the confusion which was caused.

Therefore, it seems drop off was agreed for 3 March 2025, but Mr F hadn't been told to book a delivery slot. Also, it doesn't seem written confirmation was sent promptly to the right site. It seems this culminated in Mr F being at the auction site for some hours before he was able to leave the car with them.

Putting things right

As explained above, there was some confusion for Mr F on the day he was to return the car which could have been avoided. I appreciate this meant Mr F was left frustrated and spent time trying to arrange for his car to be returned. Having thought about this, MI Vehicle Finance Limited should pay Mr F £150 compensation to recognise the impact to him. I'm satisfied this is fair and reasonable in all the circumstances of the complaint.

My final decision

For the reasons outlined above, I'm upholding this complaint and MI Vehicle Finance Limited should pay Mr F £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 September 2025.

Laura Dean
Ombudsman