

The complaint

Mr J complains about the end of contract charges in relation to a vehicle that was supplied through a motor finance agreement with Tesla Financial Services Limited (TFS).

What happened

In September 2021, Mr J acquired a new car using a conditional sale agreement with TFS. The cash price of the car was £50,590. A deposit of £5,600 is listed, so the total amount financed on the agreement was £44,990 payable over 48 monthly repayments of £699.39, followed by a final repayment of £17,706.50.

In an email dated 8 November 2024, Mr J made a request to voluntarily terminate (VT) the finance agreement. However, as the car hadn't yet been collected, a payment was taken later in the month, which Mr J disagreed with because he believed he'd terminated the agreement when he sent the email.

TFS wrote to Mr J in November 2024, advising that he'd need to arrange an end of term inspection so the car could be assessed against excess wear and tear.

Mr J delivered the car to the dealership on 29 November 2024, however he was told he needed to sign a termination document before the agreement could be ended.

In December 2024, TFS wrote to Mr J advising he'd missed a monthly payment and had an outstanding balance of £699.39 to pay.

TFS issued their final response to Mr J's complaint which they didn't uphold. In summary, it explained that independent inspections are standard practice to assess excess wear and tear, which remains payable after VT. TFS highlighted that the agreement required the vehicle to be returned in good condition. It said as a goodwill gesture, they offered to waive tyre-related charges but maintained that other wear and tear costs were valid. It rejected Mr J's claim for a refund of the November 2024 payment, stating the vehicle remained in his possession until 29 November 2024, and payments were due until return. TFS confirmed no further charges would apply from December 2024.

Unhappy with their decision, Mr J brought his complaint to our service where it was passed to one of our investigators to look into.

Mr J made a lengthy submission to clarify his main complaint points. In summary, Mr J said he was complaining about, unlawful payment attempt, unreasonable vehicle assessment standards, breach of the FCA's consumer duty, avoidable financial costs, and poor complaint handling.

To resolve matters Mr J said he wanted confirmation the payment on 24 November 2024, was not due and to amend his credit file, confirmation that no end-of-contract charges are payable, reimbursement of avoidable costs, and compensation for stress, inconvenience, and poor complaint handling.

Mr J also provided a copy of an email that was sent to him In February 2025, from TFS, which confirmed his vehicle was returned and added to their inventory. However, that he had an outstanding balance of £699.39 to pay which was for his November 2024 payment.

In June 2025, our Investigator issued their view and recommended that Mr J's complaint should not be upheld. In summary, the Investigator concluded that TFS had acted fairly and within the terms of the agreement and so didn't consider they needed to take action in relation to the complaint.

Mr J didn't accept this recommendation and asked that his complaint be referred to an ombudsman 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.

In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

Firstly, I'm aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to every single point made by all the parties involved. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here.

Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

In summary, Mr J is unhappy about November's repayment being taken, TFS' attempt to inspect the vehicle, his incurred costs of £53.33 for postage and insurance, TFS poor handling of his complaint and their failure under the consumer duty.

Mr J has raised concerns about the way TFS have handled the complaint against them. Complaint handling isn't a regulated activity in its own right. Nor is it one of the specified non-regulated activities that I'm able to deal with under our compulsory jurisdiction (DISP Rule 2.3.1R). And so, I'm unable to look into the specifics of this.

My focus in this decision is on the underlying financial service being complained about, which is the administration of the conditional sale agreement. Whilst I can look at what's fair and reasonable in the individual circumstances, in respect of complaints relating more generally to commercial practices and quality standards, that is likely more appropriately directed at the regulator.

The Conditional sale agreement, under the section *Termination: Your rights*, it says to end the agreement the finance provider will be entitled to the goods back and half the total amount payable under the agreement. However, it also says: *"if you have already paid at least this amount plus any overdue instalments and have taken reasonable care of the goods, you will not have to pay anymore"*.

However, I have also considered Section 173 of the Consumer Credit Act 1974 (CCA) which essentially renders a contractual term void if it is inconsistent with the protections as set out in the CCA (or regulations made under it).

Section 99 of the CCA refers to a consumer's right to terminate a hire purchase or conditional sale agreement by giving notice. It states:

"99 Right to terminate hire-purchase etc. agreements.

(1) At any time before the final payment by the debtor under a regulated hire purchase or regulated conditional sale agreement falls due, the debtor shall be entitled to terminate the agreement by giving notice to any person entitled or authorised to receive the sums payable under the agreement.

(2) Termination of an agreement under subsection (1) does not affect any liability under the agreement which has accrued before the termination..."

Section 100 of the CCA sets out the consumer's liability on termination. It states:

(1) Where a regulated hire-purchase or regulated conditional sale agreement is terminated under section 99 the debtor shall be liable, unless the agreement provides for a smaller payment, or does not provide for any payment, to pay to the creditor the amount (if any) by which one-half of the total price exceeds the aggregate of the sums paid and the sums due in respect of the total price immediately before the termination...

(4) If the debtor has contravened an obligation to take reasonable care of the goods or land, the amount arrived at under subsection (1) shall be increased by the sum required to recompense the creditor for that contravention..."

In consideration of the CCA, I think it's reasonable that TFS would carry out some inspection of the vehicle as part of its returns process, and to assess whether Mr J had accrued any liability throughout the term of the agreement. The inspection agency suggested by TFS is an expert vehicle inspection specialist, and so I think it's reasonable that their expertise is relied on by TFS to ensure the vehicle is returned in a fair condition.

Mr J said he felt the vehicle was being inspected to a higher level than was expected under the CCA. However, in an email to Mr J, TFS provided a link to the standards which their inspections are measured against, it says: *"Our independent partner adheres to BVRLA guidelines and provides you with an objective and transparent report on what damage is considered fair wear and tear and what damage is chargeable to them as excess wear and tear."*

Fair wear and tear guidelines have been issued by the British Vehicle Lease and Rental Association (BVLRA), and these are accepted as an industry standard in determining whether any damage goes beyond fair wear and tear on passenger cars, when they are returned at the end of a finance agreement. In consideration of this, I'm satisfied TFS were acting reasonably in expectation to have the vehicle inspected by a third-party agency.

TFS confirmed in an email, which they sent to Mr J, that his outstanding balance to pay was the monthly repayment for November 2024. So, I'm satisfied there were no other charges applied to the termination, for example any charges for damage or excess mileage. I've been given no evidence to suggest otherwise.

Mr J disputes that he should have to pay the outstanding amount as he believes his agreement should have ended on 8 November 2024, when he sent his termination email to TFS.

The payment schedule history, provided by TFS, shows Mr J's payment due date was on 24th of each month. So, when Mr J sent an email to terminate his agreement (on 8 November 2024), I've considered that the payment cycle would have already started for the following month. It's reasonable that Mr J should pay for the time he's had use of the car.

On 21 November 2024, TFS informed Mr J of the steps required to return the vehicle, including arranging an inspection. It appears Mr J didn't follow this process, which likely contributed to delays. Overall, I think both parties played a part in the delay. TFS could have acted sooner, but Mr J might also have accepted the termination process earlier, which would have helped things run more smoothly.

TFS advised they'd waive any fair wear and tear charges related to the tyres. Although no other charges have been applied to the termination. In consideration of the CCA, I'm persuaded TFS would have been justified in applying charges had the vehicle not met the required standards. However, given their part in the initial delays I think it's a reasonable offset for any inconvenience that may have been caused. Having said that, for the reasons given I think it was reasonable that Mr J pay for the November's repayment as the vehicle hadn't been collected yet, he was in possession of the vehicle and had the option to use it.

Mr J said he incurred £53.33 for extending his vehicle insurance and posting two letters to TFS about terminating the agreement. However, I don't think physically posting the letters was necessary here, as I can't see that it affected the timescales. Mr J was responsible for ensuring the vehicle remained insured while in his possession. In addition, I've considered that he could have mitigated costs, for example in declaring the vehicle off-road (SORN), which currently carries no charge.

Lastly, I've considered what Mr J has said about TFS' failure under the consumer duty, however having considered all the information provided, I'm satisfied TFS have fulfilled their obligations in this regard.

My final decision

My final decision is that I don't uphold Mr J's complaint about Tesla Financial Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 December 2025.

Benjamin John
Ombudsman