

## **The complaint**

Mr B said that Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services ("VWFS") unfairly chased him for payment after he'd handed back a car he acquired on finance.

## **What happened**

Mr B entered into a hire agreement to acquire a new car in March 2022. The car was supplied in April 2022. The agreement had a minimum term of 36 months and Mr B agreed to pay an advance rental of around £1,100, followed by 35 rental payments of around £370.

In December 2024 he entered into negotiations with a retailer for a new car and there was an agreement that the retailer would take the car back and settle the outstanding balance.

Mr B said his new car was delivered on 11 December 2024 and the old car was collected. This meant that the retailer should have settled the finance, but it didn't do so until a month later. In the meantime, the normal monthly rental payment became due.

Mr B was upset to receive letters demanding payment. He then received a letter confirming that the finance was settled, but was then shocked to receive a letter a couple of weeks later asking for a further payment.

Mr B said the matter caused him stress and upset and affected his mental wellbeing. He complained to VWFS.

VWFS said that the retailer had made a mistake and hadn't paid the settlement balance to it. It confirmed that the balance had since been settled, but as it was a different business that made the mistake, it didn't uphold the complaint. It issued a final response on this basis on 15 January 2025. Shortly after it paid Mr B £300 for his experience.

Mr B later contacted VWFS again to say he'd received a further letter asking for payment. VWFS apologised and let Mr B know that it had waived the amount, updated his credit file and already paid him £300 in compensation for the upset caused.

Mr B referred his complaint to the Financial Ombudsman. He said he was offered £300 for the first instance of letters being sent but didn't get a response about the second instance.

An investigator here considered the complaint. He said that he thought the initial mistake wasn't made by VWFS but rather the retailer. However, he also said that even though there had been a further letter sent after the agreement should have been settled, he thought the £300 was fair.

Mr B disagreed and in summary he said:

- He'd handed the car back so he shouldn't have to pay for it. Demanding payment after he'd handed the car back was fraud.

- VWFS promised that the agreement was settled, but sent a further letter afterwards demanding payment. He said the £300 was offered before the further letter was sent to him so it was a different complaint.

As an agreement couldn't be reached the complaint 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 having been good industry practice at the relevant time.

I've read and considered the evidence submitted by both parties, but I'll focus my comments on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This is not intended as a discourtesy but reflects the informal nature of this service in resolving disputes.

Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Firstly, I'd like to say I'm sorry about the difficulties Mr B has described to this service. I also need to explain my role is to look into the complaint against the finance provider and not any of the other parties that have been involved here such as the retailer.

The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it.

As a starting point Mr B entered into an agreement to hire the car. Neither he nor any other party had any automatic right set out in the agreement to buy the car. This means that his arrangement with the retailer wasn't a right under the agreement, so it was fair for VWFS to ask for the payments as expected until it received the monies it was due.

I understand that as part of the negotiations for his new car the retailer agreed to settle the outstanding finance payments under a preferential agreement. I think all the parties agree that this didn't happen when it should have because of a mistake by the retailer. Clearly that isn't Mr B's fault. But equally the mistake isn't one that I can fairly hold VWFS responsible for as it isn't responsible for the actions of the retailer here.

VWFS issued a final response on 15 January 2025. It said that the retailer had made a mistake, however the agreement had been settled.

VWFS paid Mr B £300 for what had happened on 17 January 2025. I think it did this as a gesture of goodwill for the experience he had. If the complaint had come to me at this stage I don't think I would have had grounds to award compensation. But it was after this point that VWFS made a mistake, I'll explain why.

Based on what I've seen, VWFS did not close the account when it should have. It had told Mr B in its final response that the agreement had been settled. But Mr B received further communication after this which asked him to make a payment. This compounded a mistake

that had already been made by another party. I understand that Mr B thinks demanding further payment is fraud, but I think it was simply an administration error. And while I can't hold VWFS responsible for the other party's actions, it should have recognised that the account hadn't been closed, and it could have arranged for any further communication to be suppressed.

VWFS looked into the complaint again after Mr B received a letter at the end of January 2025, although it didn't issue a further final response. In an email dated 27 February 2025 it apologised and confirmed that steps had been taken to ensure that the agreement was closed and there was no impact on his credit file. It said that it thought the £300 already paid addressed the distress and inconvenience he'd experienced.

Mr B has explained the impact that all of this had on him. He said that it had caused him stress and upset and affected his mental wellbeing over several months. I'm sorry to hear that.

Deciding compensation is not an exact science here. It isn't my role to fine and punish VWFS when it makes a mistake, or to award a different sum each time a letter has been sent incorrectly. But I think VWFS could have got to grips with the complaint much sooner and ensured that it did what it said it was going to do. I've thought about the compensation examples published on our website. Mr B suffered more than the usual problems you might expect in everyday life, and it went on some time. I do think from what Mr B has said that the demands for payment have caused him considerable inconvenience, upset and worry.

As I've explained VWFS isn't responsible for everything that went wrong, and I don't think it needed to pay compensation for the initial delay in paying the monies to the agreement. But I think the payment of £300 adequately addressed the mistakes that VWFS made after. So, I'm not going to ask it to do more here. I think the £300 compensation that it paid, was a fair and reasonable way to resolve this complaint.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 November 2025.

Caroline Kirby  
**Ombudsman**