DRN-5709462

The complaint

Mr H is unhappy with the way Volkswagen Financial Services (UK) Limited ("VWFS") handled the settlement of his finance agreement.

What happened

Mr H bought a car with finance provided by VWFS. When he changed his car, he took out finance with VWFS again. The dealer said it would settle the finance on the old car, which it did and provided the appropriate documentation.

Payments continued to leave Mr H's account and when he contacted VWFS, it told him to cancel the direct debit and dispute the transactions. Mr H followed the instructions and heard nothing more until he received a debt notification. He complained to VWFS.

VWFS upheld Mr H's complaint and offered a 50% discount. It also told him he could use one finance agreement number to make his payments. However, debt notifications continued and VWFS then told Mr H he should've split his payments across the two agreements.

When Mr H brought his complaint to us, VWFS offered to resolve it. VWFS apologised for the breakdown in communication and told Mr H there'd been a system error. After discussing the complaint with him on 18 March 2025, VWFS offered £500 by way of apology for the distress and inconvenience caused. Mr H said that was a fair offer on the assumption that the matter would be resolved by 18 April 2025 and confirmed to him. VWFS said it would let Mr H know when his account was at zero.

Mr H let us know that VWFS hadn't contacted him to confirm it had amended his account. When our investigator asked VWFS about this, it confirmed the accounts were showing as zero and Mr H's credit file had not been affected. VWFS apologised to Mr H that it hadn't been in touch to confirm the updated position and paid £100 compensation. But Mr H didn't think the compensation adequately reflected the months of worry.

Our investigator considered the first of Mr H's complaints. She said the call recordings and confirmation of the £500 compensation was in settlement of his complaint, and there was no requirement for the matter to be resolved by 18 April. Our investigator thought the compensation was fair for the four months the matter had been outstanding and, as Mr H accepted it in full settlement, she did not consider this matter further.

On consideration of Mr H's complaint about VWFS's failure to tell him his accounts had been updated to reflect the correct position, our investigator didn't think its compensation offer of £100 was enough. She proposed an additional £250 plus an apology. VWFS agreed to this but Mr H didn't think it was enough for what he said was seven months of worry that his car was going to be taken by debt collectors.

Mr H asked for an ombudsman to decide, so the complaint was passed to me.

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.

Having done so, I’ve decided to uphold Mr H’s complaint for broadly the same reasons as our investigator. While I realise Mr H will be disappointed, I’ve decided not to ask VWFS to pay more compensation than our investigator proposed.

In considering what is fair and reasonable, I need to have regard to the relevant law, regulators’ rules, guidance and standards, and what I consider to have been good practice at the relevant time. The car finance agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it, and that includes customer service issues in respect of the regulated financial businesses that complaints are made against – in this case VWFS.

I’ve summarised the first part of Mr H’s complaint, above, so I won’t repeat it here. He accepted that £500 compensation settled his complaint as at 18 March, and arguably up to 18 April 2025 according to Mr H’s submissions. Therefore, I won’t consider the merits of this part of his complaint further.

VWFS accepts that it failed to let Mr H know when his accounts had been settled. It apologised and paid £100 compensation. This isn’t in dispute, but Mr H thinks more compensation is warranted. As he agreed the matter was settled up to March/April, any further compensation can only be in recognition of matters which happened after that date.

VWFS confirmed that the accounts were at zero and that Mr H’s credit files showed a settled status as of 4 December 2024 with no adverse data recorded. Therefore, the matter I’ve considered is the business’ failure to communicate that to Mr H.

It’s clear that VWFS told Mr H it would let him know when the accounts were updated. This is documented in its letter to him and also discussed in a phone call. Having listened to the call recording, I note that VWFS accepted that contacting it was time-consuming, which is why it said it would contact Mr H to let him know when matters were resolved. So, I consider that VWFS fell short in the standard of service it provided to Mr H.

I understand Mr H believed debt collectors would come for his car and this, amongst other things, caused him distress. VWFS didn’t dispute that it had made a mistake, so there’s no reason it would’ve tried to repossess the car. Indeed there are proper steps in place to prevent such mistakes being made. I’ve considered, too, that Mr H’s credit file was updated as at 4 December, and he could’ve accessed it to seek reassurance. Even so, given VWFS’s promise to provide him with the reassurance, I think it should’ve done exactly that, and promptly.

Our investigator proposed a further £250, and VWFS agreed. I’ve thought carefully about this, and taken into consideration that any compensation is in recognition of the distress and inconvenience caused for an additional two months. Having done so, I’m satisfied that £250 is fair and reasonable in the circumstances. I see no reason to ask VWFS to pay more than that in resolution of Mr H’s complaint.

My final decision

For the reasons explained, I uphold Mr H’s complaint and Volkswagen Financial Services (UK) Limited must:

- pay Mr H £250 by way of apology for the distress and inconvenience caused by this matter.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr H to accept or reject my decision before 23 September 2025.

Debra Vaughan
Ombudsman