

The complaint

Mrs R is unhappy that Motability Operations Limited ('Motability') refused to allow her to extend the minimum term of hire on a car they'd supplied her.

Mrs R has been represented during the claim and complaint process by Mr R. For ease of reference, I will refer to any comments made, or any action taken, by either Mrs R or Mr R as "Mrs R" throughout the decision.

What happened

In September 2021, Mrs R was supplied with a new car through a hire agreement with Motability. The agreement confirmed that *"the hire term is for a minimum period of three years starting on the date of delivery of the Vehicle (the "Minimum Hire Term"), but continuing thereafter until either the expiry of a period of twenty four months following the Minimum Hire Term (the "Maximum Hire Term") or the date on which this agreement is terminated in accordance with the terms set out in the Contract Hire Terms and Conditions ... whichever is earlier."*

The Contract Hire Terms and Conditions, under the heading *"Hire Term and Return of the Vehicle at the end of the Hire Agreement"* states *"the Hire Term shall continue automatically following the end of the Minimum Hire Term referred to in this Agreement unless either you or we have served not less than 60 days' written notice on the other terminating this Agreement on the last day of that Minimum Hire Term."*

The agreement confirmed that the minimum hire term would be, in this case, three years. This meant that the minimum hire period expired on 24 September 2024. This was the third car Mrs R had been provided with under the motability scheme, and she had extended the hire term on the previous two vehicles. She's said it was also her intention to extend the hire term on this agreement.

Motability wrote to Mrs R on 8 June 2024, advising her that she was now able to order a new car under the scheme. They also said that *"if your car has significant adaptations, or you'll have driven under 20,000 miles by the end of your lease, you might be able to extend for up to two more years ... if you do not meet this criteria we will not be able to extend your lease."*

Motability wrote to Mrs R again on 24 July 2024, advising her of the end date of the minimum hire term. They also again explained that the lease may be able to be extended, and that, if Mrs R was eligible for an extension, this option would be available in her online account. In providing this letter, Motability gave Mrs R more than 60-days notice of the end of the agreement.

Mrs R applied to Motability for an extension to the minimum hire term, but they didn't agree to this. In a letter dated 8 August 2024 they confirmed that the global supply of cars had been impacted during the COVID-19 pandemic, which led to them offering automatic lease extensions. However, as the car supply has now returned to normal, the option to extend a lease had now been removed. Motability have since confirmed that the car supplied to Mrs R didn't have 'significant adaptations', so didn't qualify for a lease extension under this clause.

Unhappy with the refusal to extend the minimum hire term, Mrs R brought her complaint to the Financial Ombudsman Service for investigation.

Our investigator said that, while Mrs R may have expected to be able to extend the term of the agreement based on her previous experiences, the wording of the agreement doesn't guarantee that an extension would automatically be granted – this was always within the gift of Motability.

The investigator also said that, while the terms and conditions refer to a 60-day notice (which was given), they also set out that either party could terminate the agreement with just 14-days notice. And, as the same notice periods applied to all parties, this wasn't an unfair term.

As such, the investigator said that Motability had acted fairly, and in line with the terms of the agreement, by not agreeing to extend the minimum hire term. So, they didn't think Motability needed to do anything more.

Mrs R didn't agree with the investigator's opinion. She said that the criteria that allowed for an extension wasn't detailed within the agreement, and she didn't accept that giving 60-days notice allowed Motability to end the agreement without providing a reason for doing so. She also said that she'd spoken to Motability during the original term of the agreement, and they'd told her she would be allowed to extend the minimum hire term – she also thought it was unfair that Motability hadn't provided copies of these calls.

Because Mrs R didn't agree, this matter 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mrs R was supplied with a car under a hire agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

I've seen a copy of the agreement between Motability and Mrs R. The key clauses of this agreement are detailed above, so I won't repeat them here. I'm satisfied there was a minimum hire term of three years, which could be extended by a further two years. However, there's nothing in the agreement or associated terms that guarantees any extension would be granted, and either party had the ability to end the agreement at the end of the minimum hire term by giving notice. And this is what Motability did.

With regards to the calls Mrs R had with Motability about the minimum hire term extensions, there were two of these. The first took place in 2020 and related to a previous agreement. As such, the contents of this call aren't relevant to this complaint.

The relevant call took place on 8 August 2024. I've listened to this call in full and, during the call, Mrs R explained she wanted an extension because of the costs (the advance payment) associated with taking a new car. And she explained she wanted a new car, but not just yet, so it was unlikely she would need to keep the current car for a full further two years.

Motability explained that the mileage on the car was a key factor in any decision to extend, and that the mileage limit for an extension was different to the mileage limit allowable under the agreement. Mrs R confirmed that the mileage of the car was around 30,000 miles, which Motability explained would only allow a four-week extension.

Based on the evidence I've seen, I can't agree that Mrs R had spoken to Motability during the term of this agreement, and she was advised she would be able to extend the minimum hire term.

During this call, Mrs R was also arguing that, although Motability had changed their criteria on minimum hire term extensions, these didn't apply to her – as she had a signed agreement, then the criteria detailed in that agreement and associated terms should apply. While I agree with this argument, the criteria of a minimum hire term extension aren't detailed in the agreement, and the agreement implies that, while an extension *may* be granted, it's not guaranteed. As such, there are no historic extension criteria that Motability are obliged to follow.

In writing to Mrs R as the agreement was coming to the end of the minimum hire period, Motability explained there were two criteria that allowed an extension to the term – if the car supplied had significant adaptations or if the mileage at the end of the minimum hire term was less than 20,000 miles. And Mrs R didn't fulfil either of these criteria points.

As such, and while I appreciate this will come as a disappointment to Mrs R, I'm satisfied that Motability acted fairly and reasonably by declining an extension to the minimum hire term, and I won't be asking them to do anything more.

My final decision

For the reasons explained, I don't uphold Mrs R's complaint about Motability Operations Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 28 August 2025.

Andrew Burford
Ombudsman