

## The complaint

Mrs T complained that Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services (“VWFS”) unfairly defaulted and terminated a car finance agreement when she was in financial difficulties.

## What happened

The circumstances of the complaint are well known to both parties. So, I won't repeat everything here. But, in summary, Mrs T entered into a hire purchase agreement with VWFS in order to acquire a car in January 2023. The cash price of the car was around £35,500; she paid a deposit of around £1,250 and agreed to make 48 monthly payments of around £510. The agreement included an optional final payment of around £17,800.

Mrs T said that her partner had a change in circumstances in late 2023, which led to a significant drop in joint income.

She said she spoke to VWFS about her options as they had two cars on finance. She decided to sell one of the cars and focus her payments on just one.

Mrs T said she found VWFS very difficult to deal with on the phone, it was unhelpful and not understanding of her circumstances. She said it just seemed to be either pay or take the car away, which made her feel like she couldn't ask for help. She received a payment of £100 as a gesture because it acknowledged it didn't support her with arrears. She said she didn't get a phone call offering support or giving her options.

Mrs T said that her working hours were also cut which led to a further drop in income. She'd fallen behind on priority bills. She said that she wasn't contacted much by VWFS and wasn't able to contact it during working hours. Mrs T said she complained to VWFS about commission on several cars.

Mrs T said she got an email and a letter saying that a default had been reported and she should arrange to pay the arrears or risk having the agreement ended. She asked to borrow the money from a friend to pay the arrears and called VWFS to let it know. When she called, she found out that the agreement had already been terminated and she needed to pay the full balance, or the car would be repossessed.

Mrs T said she was shocked to have to pay over £32,000 to keep the car when the arrears were only £2,500. Mrs T complained to VWFS, she said that she'd not had any communication which let her know this might happen. Mrs T said she'd already complained to VWFS about commission on several cars and asked for the compensation to be applied to this agreement.

Mrs T said she couldn't sell the car because she would still owe money, and she needed the car to take her child to school and get to work, as public transport was not an option.

Mrs T said that VWFS had been cold, rude and unhelpful in dealing with her financial difficulties. She said she'd been deeply distressed by the situation and worried that someone would turn up to remove the car when she had tried to raise the funds.

VWFS said that it had sent all the required notices and communications to let her know about the arrears and the consequences of not paying. It said that it found no evidence that Mrs T had contacted it following its communication, so it terminated the agreement as it was six months in arrears. It said that she had the option to settle the agreement and retain the car or otherwise hand it back. It also said that a default marker would be reported to the credit reference agencies. It said that it couldn't locate a complaint in relation to commission and advised how to progress that.

Mrs T referred the complaint to our service. An investigator here considered the complaint and didn't think VWFS needed to do anything further. She said she'd seen that VWFS had sent all the required communication, and it seemed likely that Mrs T received it and didn't respond. She also said that VWFS had tried to contact her by phone unsuccessfully and by the time she was six months in arrears it needed to do something rather than let her arrears continue as that would have put her in a worse position.

Mrs T asked for the complaint to be decided by an ombudsman, so it's been 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.

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 everything Mrs T and VWFS said but I've summarised the key points here. While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes informally.

Where the evidence is incomplete or 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 the light of the available evidence and the wider circumstances.

Mrs T has complained about how she's been treated while in financial difficulties on a car finance agreement. This is a regulated consumer credit agreement and I'm able to consider complaints relating to this sort of agreement.

I'm very sorry to hear of the circumstances which led to Mrs T experiencing financial difficulties. I acknowledge that this can't have been easy for her, and I hope she's getting independent support.

I don't think it is in dispute that Mrs T missed payments over an extended period. Having reviewed everything afresh I've reached the same overall conclusions as our investigator for broadly the same reasons. In entering the agreement Mrs T agreed to maintain payments for her use of the car. The car doesn't become hers until she's finished making payments for it.

From what I've seen Mrs T missed some payments in the early stages of her agreement, but she appears to have caught up quickly. It was only when she started more consistently missing payments each month from December 2023 and the arrears situation got worse, that VWFS took further steps. So, although I've listened to what she's said about her early

contact while in financial difficulties, I've not seen enough to show it treated her unfairly when it later defaulted and terminated the agreement. I've also not seen anything specific which meant it needed to offer her a goodwill payment, although I'm pleased to hear that it was of some help.

Mrs T missed five payments between December 2023 and September 2024. I've seen various letters that VWFS sent to Mrs T after her payments were missed. I don't think the content was unreasonable and it clearly explained the consequences of non-payment. It also notified her of the risk of escalating debt and interest, and potential financial difficulties, signposting her appropriately for support. Considering the relevant guidance, I think this was an indication that VWFS were monitoring Mrs T's repayment record and taking appropriate action where there were potential signs of repayment difficulties.

I've thought about whether VWFS made it clear to Mrs T that missing payments could lead to further consequences, and I think it did. It is clearly set out on the pre contractual credit information, the agreement and in the letters she was sent. I can see that VWFS also reached out by telephone and email, but I can only see one occasion where Mrs T has responded. Mrs T contacted VWFS in March 2024 to discuss a settlement figure as she was considering selling the car to clear the arrears. Notes from the time indicate that she was offered information about her options including Voluntary Termination but declined and asked to have time to consider things further. But I can't see that Mrs T contacted VWFS again to let it know that her situation had got worse. I appreciate she's said she wasn't able to contact it due to long working hours. All the communication I've seen explains that support could be offered with various options about how to get in touch, and it also signposted for independent advice. Our investigator set out the multiple occasions that VWFS reached out to contact her with no response. So, it's difficult for me to say that VWFS acted unfairly.

By the time the default was applied, Mrs T had stopped engaging with VWFS. I'm not making any finding on her actions, as I know she's had a lot to deal with. But I don't have grounds to say that VWFS acted unfairly in reporting the default at the time. VWFS sent a default notice warning of the consequences of non-payment, but Mrs T didn't clear the debt by the required time. Therefore, it wasn't unreasonable for VWFS to apply the default when it did, because the guidance says it can and should happen between 3-6 months after arrears. And unfortunately, Mrs T was at that stage having missed five months payments totalling over £2,500. When the default wasn't satisfied, it was entitled to terminate the agreement. It wouldn't be reasonable to expect VWFS to allow the situation to go on indefinitely. Had it done so it would only put Mrs T in a worse situation as the arrears were increasing each month. So, I don't think VWFS acted unfairly by terminating the agreement when it did.

VWFS is required to report accurate information to the credit reference agencies, including missed payments, default and the termination of the agreement. The reporting needs to be a true reflection of Mrs T's repayment history, so VWFS has fairly reported what happened.

Overall, I don't have concerns with how VWFS dealt with Mrs T, I'm satisfied that it followed the relevant guidance and indicated that it could offer further support if required. While I'm empathetic to Mrs T's situation, I don't know what else it could have done to support her as she unfortunately didn't respond to the communication. That doesn't seem to be in dispute and Mrs T hasn't offered any specific objections to counter any of the occasions that VWFS tried to contact her.

I appreciate that Mrs T thinks VWFS didn't handle a separate complaint about commission correctly, and it should have applied compensation to this agreement. I'm not dealing with a complaint about commission here as it is an entirely separate matter, and there isn't any agreement that compensation is due. Mrs T should contact VWFS about this to register her

complaint, keeping appropriate records of having done so. Our investigator can give her information on how to do that if necessary.

I understand that VWFS have paused taking any further action while the complaint is with this service, but have asked Mrs T to surrender the car, pointing her to support from its agent to do that. I can also understand Mrs T's reluctance to hand the car back given her reliance on it for getting to work and day to day life. I'm not able to direct Mrs T to do anything, but I'd encourage her to reach out for independent debt advice if she hasn't done so already. She might also be able to discuss other options with VWFS or its agent. But continuing to hold onto the car and using it, might also lead VWFS to take other steps to recover its valuable asset. That hasn't happened, so I'm not making a finding on that in this decision.

I appreciate my decision will come as a disappointment to Mrs T. But in considering whether it was fair for VWFS to default and terminate the agreement, I think it acted fairly in line with the relevant guidance. So, I don't require it to do anything 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 Mrs T to accept or reject my decision before 29 October 2025.

Caroline Kirby  
**Ombudsman**