

The complaint

Mrs J complains that Volkswagen Financial Services (UK) Limited terminated her agreement when she'd previously been told that she had time to pay the arrears in full.

What happened

In May 2023 Mrs J was supplied with a car and entered into a hire purchase agreement with VWFS. The agreement was for a term of 61 months and was due to end in June 2028.

The agreement fell into arrears in mid-2024. VWFS sent arrears letters to Mrs J and issued a Notice of Default in November 2024. The agreement was terminated on 10 March 2025.

Mrs J complained to VWFS. She said she'd been told that she could have until 21 March 2025 to pay the arrears and was unhappy that the agreement had been terminated prematurely.

VWFS didn't uphold the complaint. In its final response it said it had made adequate attempts to contact Mrs J about the arrears. It said the decision to terminate the agreement was taken because the Notice of Default had expired on 18 December 2024 and Mrs J had failed to fulfil a promise to pay on 10 February 2025.

Mrs J remained unhappy and brought her complaint to this service.

Our investigator didn't uphold the complaint. He said the agreement was over six months in arrears when it was terminated and that although Mrs J had been told that she had until 21 March 2025 to repay the arrears, VWFS had acted reasonably by terminating the agreement because it had become clear that the agreement was no longer affordable for her.

Mrs J didn't agree so I've been asked to review the complaint.

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.

I know it will disappoint Mrs J but I agree with the investigators opinion. I'll explain why.

I've reviewed the history of the account. I can see that the agreement fell into arrears in mid-2024. VWFS wrote to Mrs J about the arrears in September 2024. By the time the Default Notice was issued in November 2024, the arrears were £2440.80. The Default Notice required Mrs J to pay the arrears and her contractual monthly payment of £913.60 due on 1 December 2024 by 18 December 2024. From my review of the account, I can't see that Mrs J paid the arrears within the timescale specified in the Notice of Default.

I can see that Mrs J continued to accrue arrears throughout January to March because she wasn't paying her contractual monthly payment. VWFS sent arrears letters to Mrs J in January 2025 and February 2025. In February 2025 Mrs J made a promise to pay arrangement to clear the arrears of £5,181.60 by 10 February 2025. However, Mrs J failed to

make a payment to clear the arrears.

Mrs J has said that she was told she could have until 21 March 2025 to pay the arrears in full. I can see from the system notes that Mrs J called VWFS to make a payment on 7 March 2025, but the systems were down and she was asked to call back and make payment on 8 March. I can't see that Mrs J called back.

VWFS terminated the agreement on 10 March 2025. The arrears at termination were £6,095.20.

I appreciate that Mrs J thought she had until 21 March to pay. And I agree that VWFS terminated the agreement before this date. However, in between Mrs J being told she could have until 21 March to pay, she'd been asked to call back on 8 March to make a payment and had failed to do so. Taking this into account, as well as the Notice of Default and the failed promise to pay, I don't think it was unreasonable for VWFS to terminate the agreement on 10 April 2025.

I've reviewed the terms and conditions of the agreement. These make it clear that VWFS can terminate the agreement at any time after a Notice of Default has expired. In this case the Notice of Default expired in December 2024. So the agreement was always at risk of termination after this date.

Having reviewed the account, it's fair to observe that Mrs J had been struggling to make payments for some time. The agreement had clearly become unaffordable for her. The arrears had reached more than six months at the time of termination. This service would expect a lender to keep an agreement which is in arrears under close review and to bring it to an end if it became clear that it was unaffordable. In the circumstances of this case, I don't think VWFS acted unreasonably when it terminated the agreement.

For the reasons I've given, I'm unable to uphold the complaint.

My final decision

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

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

Emma Davy
Ombudsman