

The complaint

Mr C has complained about the administration of his car finance agreement by Volkswagen Financial Services (UK) Limited trading as Audi Financial Services ("AFS").

What happened

AFS supplied Mr C with a car on a hire agreement in July 2021. The agreement set out the minimum term and the duration of hire of 24 months. In June 2023 Mr C applied for an extension of the agreement for a further year, and AFS agreed he could keep the car until July 2024 with his payments continuing.

Mr C handed the car back in July 2024 and AFS then asked him to pay a lump sum of around £4,400 for the additional rentals.

Mr C complained to AFS, who agreed it had made an error, and the extension had not been processed correctly. This meant that the direct debit stopped, and nothing further had been paid.

AFS said that it would reduce the balance by £200 because of its error. It also said that it would help Mr C set up an affordable payment plan.

Mr C said that he'd received no communication during the extension to let him know that he owed any money. He said he was led to believe his payments were up to date, supported by correspondence and his credit file, which showed no arrears. He said that receiving a demand for around £4,400 caused significant financial and emotional distress at being faced with an unexpected bill. He said that being contacted by a debt collection agency added to the stress.

Mr C said that he had sought professional mental health support for anxiety and stress and he had concerns about the future impact on his credit rating and ability to access financial services in the future. He asked for the full balance to be waived, and the impact removed from his credit file.

Mr C referred his complaint to our service. An investigator here looked into the complaint and said the offer was fair. She didn't recommend that AFS needed to do anything further to resolve the complaint.

Mr C disagreed and asked for an ombudsman to make a decision. He said that he would have an ongoing impact on his credit file until the balance was paid which would unfairly affect his ability to obtain other credit.

The complaint was passed to me to make that decision. I issued a provisional decision which said:

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 the light of the available evidence and the wider circumstances. The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it.

Firstly, I am very sorry to hear about the difficulties Mr C has described to this service. I can't imagine how he is feeling but I thank him for bringing his complaint.

I think both parties have recognised that the original error was made by AFS, and not Mr C. It didn't process the extension to the agreement, so the lack of communication around missed payments all goes back to this original error.

Mr C either hasn't noticed or hasn't acted on the payments for the car not being taken from his account. It might be reasonable to assume that he ought to have been aware that something wasn't right as this isn't an insignificant amount. Ideally Mr C might have been putting this money to one side each month, but if he hasn't then I still need to make a decision.

I agree with our investigator's assessment that even though AFS have made an error, he has had use of the car so it's only fair that he pays for that use.

What's left for me to decide is whether the offer from AFS fairly resolves things for Mr C.

Things might have moved on while the complaint has been with the Financial Ombudsman. So, both parties can let me know if an affordable payment arrangement has been discussed and is now in place.

It isn't for me to make arrangement for what an affordable repayment arrangement should look like. So, I'll also invite comments from both parties on what that should be. Mr C should think carefully on how much he can afford to repay in a reasonable amount of time. A reasonable amount of time might be between six and twelve months. However Mr C might have other credit commitments he has entered into, and I am aware that the amount is significant, and he may need slightly longer. But I don't think an indefinite period would be reasonable.

Turning to the information that has been reported to his credit file. Neither party have as yet given clear information on what that is, so I invite them both to provide that evidence in response to this provisional decision.

I expect that AFS might be reporting the whole amount as arrears. But that seems unfair given the original error was down to AFS, and he looks like he had a perfect payment record up until things went wrong. Had AFS not made a mistake here I don't think Mr C's credit file would have been impacted.

I'm currently thinking about directing AFS to remove any adverse information from Mr C's credit file, once he has agreed an affordable payment arrangement over a reasonable period. I need to make it clear that should Mr C not maintain his payments under that arrangement then AFS might be fair to report information to the credit reference agencies at a later date. If that happens, and he's unhappy about how he's been treated then he'll be able to make a further complaint.

Mr C has described the upset and distress he has suffered from the unexpected financial bill he faced. Particularly, the ongoing impact on his mental health. I am very sorry to hear about this. I need to point out that I am unable to award for long term health issues as a consequential loss. These are known as claims for loss of amenity. If Mr C considers there is a wider claim in relation to his health here, then before accepting any decision by me he might wish to take appropriate legal advice as to how my award (and his acceptance of it) might impact any other claims he might be considering.

No amount of money can change what happened, and deciding compensation isn't a science here. But from what I've seen AFS did acknowledge its error, and it did recognise that Mr C had been upset and inconvenienced by what happened. I'm not yet persuaded that AFS should pay more compensation because I think that Mr C ought to have been aware that the repayments weren't being made and there was an opportunity for him to take steps to mitigate the situation.

Given all the circumstances here, I think reducing the bill by £200 in compensation, broadly reflects what has happened. Mr C has experienced more worry and upset than I would expect and has made a reasonable effort to sort things out himself.

I'm intending to direct AFS to remove any adverse information reported to the credit reference agencies, once Mr C has entered into an affordable repayment arrangement over a reasonable period. I invite both parties to comment on that arrangement and provide evidence in response to this provisional decision. Both parties should note my earlier comments with regard to what this arrangement should look like, and future implications if payments aren't maintained.

AFS responded to the provisional decision to say it agreed, but didn't offer further comments. Mr C didn't respond to the provisional decision, so I'll now go on to make my 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.

Neither party have responded to say that Mr C has entered into an affordable payment arrangement, so I have to assume that nothing has been agreed yet. Mr C might still want to accept the decision in order to get his credit file updated, but if he does, he'll also be bound by it.

If Mr C doesn't accept the decision then he'll be free to take matters further through other means, such as through the court. But then AFS won't need to remove the adverse information unless the debt is repaid.

In the absence of any further submissions, I think a reasonable period to repay would be the same as the original term of 12 months. So, if Mr C accepts the decision, and is able to set up an arrangement to repay the debt in that period, then AFS will remove the adverse information.

As I haven't been provided with any materially new information to change my decision, I still consider my findings to be fair and reasonable in the circumstances.

Therefore, my final decision is the same for the reasons set out in my provisional decision and above.

Volkswagen Financial Services (UK) Limited trading as Audi Financial Services has already made an offer to reduce the outstanding balance by £200, this offer is fair in the circumstances.

My final decision

My decision is that Volkswagen Financial Services (UK) Limited trading as Audi Financial Services should reduce the outstanding balance by £200.

I direct Volkswagen Financial Services (UK) Limited trading as Audi Financial Services to remove any adverse information reported to the credit reference agencies, once arrangements have been made to make affordable repayments in a reasonable amount of time.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 September 2025.

Caroline Kirby
Ombudsman