

The complaint

Mr S complains that Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (“AFS”) didn’t refund him the initial payment he made at the start of his agreement when his vehicle was declared a total loss following an accident.

What happened

Mr S entered a contract hire agreement with AFS and paid an advance rental payment of £3639.79 followed by monthly payments of £352.

In or around March 2025 the vehicle was involved in an accident and was declared a total loss. The agreement ended on 31 March 2025.

Mr S’s insurer paid AFS £23,989.33 to cover the cost of the vehicle. AFS waived the early termination charge under the agreement.

On 7 April 2025 Mr S asked for a return of the advance rental payment. AFS refused. It said that this amount wasn’t a deposit, but an agreed amount discussed between Mr S and the retailer of how much to pay at the start of the agreement which would then determine the monthly payment amount for the duration of the agreement. AFS said the advance rental payment wasn’t refundable as it was a contractual payment in the same way the monthly rentals were. It said the payment from the insurance company would not determine if the advance rental payment is refunded or not because the insurance company are not insuring or paying for the finance of the agreement but were insuring the vehicle itself.

Mr S remained unhappy and brought his complaint to this service.

Our investigator didn’t uphold the complaint. She said that under the terms of the agreement Mr S was liable to pay all rental payments including the initial rental payment to the point at which the vehicle was determined a total loss.

Mr S 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 Mr S, but I agree with the investigator’s opinion. I’ll explain why.

I’ve read and considered the whole file, but I’ll concentrate my comments on whose points which are most relevant to my decision. If I don’t comment on a specific point, it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

It may be helpful if I explain what an advance rental payment is. It’s an upfront payment agreed and paid at the start of the contract. The payment is deducted from the total cost of the lease, which results in lower monthly payments over the term of the contract. An

advance rental payment isn't a deposit and isn't returnable at the end of the agreement.

I've reviewed the terms of the agreement. These state that (under "Insuring this vehicle") :

"If this vehicle is lost, damaged or destroyed so as to become an actual, arranged or constructive total loss, you must pay us when we ask such sum as will equal the amount calculated in accordance with term 8.2."

The terms also state (under "Your liability"):

"If we terminate the hiring or accept your repudiation of this Agreement you must pay us: all unpaid rentals and any unpaid maintenance charges and other payments due (which shall include interest where applicable)".

Based on the terms of the agreement, I'm satisfied that Mr S is liable to pay all rental payments until the vehicle was declared a total loss including the advance rental payment. There's nothing in the terms to suggest that the advance rental payment should be refunded wither in full or pro rata in the event of early termination of the agreement.

I appreciate that Mr S feels very strongly about this. He's said that he believes the advance rental payment can only be applicable if the vehicle is in fact being rented. He says that where the vehicle isnt being rented due to destruction, the rental payment shouldn't apply because the vehicle is no longer being rented.

Whilst I understand the point that Mr S makes, it doesn't change my decision. Under the terms of the agreement Mr S is liable to pay all rental payments including the advance rental payment up to the point where the vehicle was declared a total loss. The agreement doesn't provide for a refund of the advance rental payment in any circumstances.

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 Mr S to accept or reject my decision before 4 November 2025.

Emma Davy
Ombudsman