

The complaint

X complains about excess mileage charges BMW Financial Services (GB) Limited (BMWFS) asked him to pay at the end of his finance agreement and about adverse reports they have been making to his credit file.

What happened

I issued a provisional decision on this complaint earlier this month. An extract from that provisional decision is set out below.

X took receipt of a new car in April 2016. He financed the deal through a hire purchase agreement with BMWFS. At the end of the agreement the car was returned to BMWFS. It was supposed to be returned in April 2020, but the return was delayed by the COVID outbreak and not returned until July 2020.

BMWFS subsequently sent X a bill for £122.62 for excess mileage but X disputed the charge and thought it was resolved. He was subsequently upset to find that BMWFS had been reporting the arrears to his credit file. He said that had prevented him from getting credit.

BMWFS didn't think they'd done anything wrong. They explained that X had contacted them in September 2020 to discuss the excess mileage charges and that he was told they were still payable.

Our investigator didn't think BMWFS had done anything wrong when calculating the excess mileage, but she noted they had reported the arrears as a '6' on X's credit file when she felt it should have been reported as a '1' to reflect the fact that the arrears related to just one bill. She also thought that B should have defaulted the account after six months or that a default notice should have been sent. She felt this would have alerted X to the arrears and allowed him to settle them. She felt the arrears should only, therefore, be reported for a period of six months.

Neither X nor BMWFS agreed with the investigator's opinion. X felt the charges were unreasonable anyway and explained that the mileage limit should have been increased in proportion to the extension of the agreement. BMWFS didn't think it was wrong to report the arrears as a '6' as they explained that meant X was more than 6 months behind with his payment. They said they wouldn't default an excess mileage charge.

The complaint has been referred to me, an ombudsman, to make a 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.

I don't agree with the investigator that BMWFS should have tried to issue a default or that they should remove the adverse reports they have been making after a period of six months, but I do agree with her view otherwise. I'll explain why.

The Financial Ombudsman is designed to be a quick and informal alternative to the courts. Given that, my role as an ombudsman is not to address every single point that has been made. Instead, it is to decide what is fair and reasonable given the circumstances of this complaint. And for that reason, I am only going to refer to what I think are the most salient points. But I have read all of the submissions from both sides in full and I keep in mind all of the points that have been made when I set out my decision.

Where the evidence is incomplete, inconclusive, or contradictory (as it is here), I must make my decision on the balance of probabilities – that is, based on what I consider to be more likely than not to have happened, in the light of the available evidence and the wider surrounding circumstances.

I'm required to take into account the relevant, laws and regulations, regulators rules, guidance, and standards; codes of practice and, when appropriate, what I consider to have been good industry practice at the relevant time.

X acquired his car under a regulated consumer credit agreement and as a result our service is able to look into complaints about it.

The mileage charges

BMWFS charged X £122.62 as they said he'd travelled 1,458 miles more than he was allowed to under the terms of his finance agreement.

That seems fair to me. I've not seen that the terms changed and a charge of 8.41p per mile was, therefore, applicable. While X says the allowance should have been increased in proportion to the length of the agreement, I've not seen that was agreed and I don't think it would be fair to say an increased limit should be applied.

I think BMWFS were fair to levy a charge of £122.62 for excess mileage.

Credit file reporting

BMWFS reported the arrears as if they were in relation to the number of months X had failed to pay. So initially as a '1' and rising to a '6'. They've been reporting as a 6 since.

Information reported to the Credit Reference Agencies (CRA's) should fairly and accurately reflect a consumer's position. In this case, the only outstanding amount was a one-off refurbishment charge at the end of the agreement. That is not the same as being six months behind on regular monthly repayments. Reporting the account as a '6' gave a misleading impression of the seriousness of the arrears. I think it would have been fairer for BMWFS to show a status of '1' – one payment outstanding – until the amount was either cleared or otherwise resolved and here that means I think BMWFS should have reported a status of 1 from the first month after payment was due and until the payment is received.

I don't think BMWFS needed to default or threaten to default that charge. A default is meant to reflect a serious and persistent failure to maintain an account, usually when a borrower is three to six months behind with their regular instalments. In this case, the only sum outstanding was a one-off end-of-agreement charge. X had otherwise paid all of his contractual payments in full and on time. So, I don't think it would be fair or accurate to treat the situation in the same way as an account where a customer has failed to pay their ongoing monthly commitments. A fairer course would have been to show that a payment remained outstanding and to record that as a status of '1' to the CRA's. Defaulting would carry a much more serious and lasting impact on X's credit file.

I've thought about whether BMWFS should compensate X for the impact of their inaccurate reporting, but I don't think it would be fair to ask them to do so. While I can understand that the presence of an inaccurate account status may have an impact on X's ability to obtain credit I can see there was other adverse information on his credit file that would have been likely to have had a similar impact even without the reports from BMWFS. And, regardless of that, BMWFS have been deprived of money that I've found was fairly due to them for several years and I don't think it would be fair to ask them to pay compensation in those circumstances.

My provisional decision

For the reasons I've given above, I'm expecting to uphold this complaint in part and to tell BMW Financial Services (GB) Limited to amend the reports they have made to X's credit file to show the account status as '1' from the date payment was missed until payment is received.

The parties' responses to my provisional decision

BMWFS accepted my provisional decision. X explained:

"I consider the report fair and factual, but I have one comment. In the findings the report states that my credit report has other things listed in it that would have impacted my ability to obtain credit during that time. I am not aware of any other missed payments or defaults ever in terms of my credit history. I have been on a number of electoral registers as I have been going through a divorce (finalised in March 2025) which meant a larger number of rental homes whilst the marital home was resolved. All of this meant I tried to get various interest free and loans during that period but have been denied, so feel I have suffered loss as a result."

What I've decided and why

X's credit file shows a couple of other accounts that have status code 'D'. That code relates to accounts that are defaulted but looking at the balance of the accounts and considering X's testimony it may be that the entries are inaccurate. He'll need to contact the credit reference agency and the reporting banks/businesses if he feels that's the case.

I explained in my reasoning that *"there was other adverse information on his credit file that would have been likely to have had a similar impact even without the reports from BMWFS. And, regardless of that, BMWFS have been deprived of money that I've found was fairly due to them for several years and I don't think it would be fair to ask them to pay compensation in those circumstances."*

So, regardless of the credit reports I thought it still wasn't fair to suggest BMWFS pay any compensation to X.

I've not been provided with any additional information that has persuaded me to change my provisional decision on this complaint. That provisional decision therefore becomes my final decision.

My final decision

For the reasons I've given above, I uphold this complaint in part and tell BMW Financial Services (GB) Limited to amend the reports they have made to X's credit file to show the account status as '1' from the date payment was missed until payment is received.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 23 September 2025.

Phillip McMahon
Ombudsman