

The complaint

Mr W complains about charges applied by Santander Consumer (UK) Plc when he terminated a hire agreement early.

What happened

In 2023, Mr W was supplied with a car through a hire agreement with Santander. He made an advance payment of £1,287.65, which was to be followed by 35 monthly payments of £429.22. If the agreement ran its full term, Mr W was due to pay a total of £16,310.35 in hire payments.

In September 2024, Mr W asked to end the agreement as he no longer wanted the car, and Santander quoted an early termination charge of £4,503.61. Mr W made a complaint. In summary, he felt the charge was excessively high and made it unreasonably difficult to exit the contract. He didn't think the charge was applied in line with the Financial Conduct Authority (FCA)'s rules, and that he was effectively forced to stay in the agreement and continue making payments, at a detriment to his financial and personal wellbeing and mental health. Santander didn't agree it had made an error, and said the charge was applied in line with the terms of the agreement and represented 50% of the remaining rental payments due.

The agreement was terminated in February 2025, with an updated early termination charge of £3,232.07. An additional excess mileage charge of £538.80 was later applied. The complaint was referred to this service. Mr W remained unhappy with the charge, and said Santander's communication had been poor – leaving him with no choice but to stay in the agreement and continue making payments for a car he no longer wanted. One of our Investigators considered the complaint. They explained why they were satisfied Santander could charge Mr W for early termination and excess mileage – and that the charges were applied fairly. But they felt Santander's overall communication had been poor and recommended that it pay £100 compensation to recognise this.

Santander accepted our Investigator's conclusions, but Mr W didn't. In summary, he remained of the opinion that the fee had been unfairly applied and wasn't done so in line with FCA principles. He said he'd paid over £2,000 towards the agreement after he no longer needed the car due to Santander's delays and poor service – and felt it fair that at least £1,500 of this be refunded to put things right. He also didn't feel £100 was a fair reflection of the overall impact caused by Santander's errors. He asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

I wrote to both parties to explain that – based on the figures provided by Santander – the fee it intended to charge appeared to leave it in a better financial position than it would have been in had the agreement run its term – so it had been overcompensated by the early termination. This was based on the difference between the combined charges and sale price of the car and the amount it would instead have received had the agreement run its full term – which was £1,579.35. Santander agreed to reduce the outstanding balance by this amount – leaving £2,191.51 for Mr W to pay.

Mr W said he accepted the proposal to reduce the balance, and said this would resolve his

complaint about the charges. However, he remained of the opinion that compensation of £100 didn't fairly reflect the overall impact the situation had on him. He said he made Santander aware on several occasions that he was experiencing financial strain while the matter was ongoing, and spent a great deal of time pursuing the matter. Taking into account the consequential stress, uncertainty and inconvenience he felt £250 would be more appropriate. I've considered Mr W's comments and have now reached a decision on the matter.

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.

If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my decision on the balance of probabilities – what I think is more likely than not to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr W was supplied with a car under a hire agreement. This is a regulated consumer credit agreement which means I can consider a complaint about it.

Both parties agreed with my suggestion to reduce Mr W's outstanding balance by £1,579.35, and Mr W says he considers this aspect of the complaint resolved. Our Investigator explained why Santander was entitled to apply early termination and excess mileage charges – and this no longer appears to be in dispute. It's also not disputed that Santander ought to have done more to communicate effectively with Mr W about the charges. This leaves only the matter of compensation for me to decide. So, I don't think I need to address Mr W's concerns about the charges in detail here. Instead, I'll focus on what should be done to resolve things.

Putting things right

The agreement currently has an outstanding balance of around £3,770.87 – comprised of the early termination and excess mileage charges which have yet to be paid. It's no longer in dispute that the charges Santander has applied would leave it overcompensated, and that payment of the charges would result in it receiving goods and payments totalling £1,579.35 *more* than it would have done had the agreement run its full term.

Santander has now agreed to reduce the outstanding balance by this amount – which will leave around £2,191.52 for Mr W to pay. Mr W says he accepts this and considers his complaint about the charges to be resolved. I'm satisfied that reducing the outstanding balance effectively puts right any overcompensation created by the charges, and that this represents a fair way forward. Santander should provide Mr W with an updated statement of account once the credit has been applied.

I've gone on to consider the impact the situation had on Mr W and how things ought to be put right for him. Our Investigator recommended compensation of £100 to reflect the inconvenience caused by Santander's handling of the situation. Santander accepted this recommendation, but Mr W feels compensation of £250 would be more appropriate. I've considered this.

It's clear there was some confusion surrounding the charge. When Mr W first asked for a

breakdown of the quoted charge, he was told it represented 'roughly' 50% of the remaining payments. I think Santander could have done more to explain things to Mr W at that point – and it was around two months before it provided him with a more detailed breakdown of the charge. And Santander was aware of the difficulties Mr W faced and the urgency of the situation. It's also not disputed that some of Mr W's concerns about the charge weren't addressed in full before the complaint was referred to this service. Mr W also received an excess mileage invoice – several months after returning the car – without any covering documentation or explanation, which caused some confusion. Overall, I can see how Santander's communication with Mr W caused him some frustration and stress – especially as he was understandably concerned about the financial pressure the charges would cause. I also appreciate Mr W has spent some time pursuing this matter.

However, I've also considered that Santander provided Mr W with an explanation of the charges in November 2024 – along with assurances that he didn't need to pay the charge in full upfront and that it would consider a payment arrangement. I think this went some way to alleviating Mr W's concerns and the financial pressure caused by the charge, but it was another two months before he chose to proceed with the termination. Overall, Mr W was caused some stress and inconvenience – but I haven't seen enough to persuade me that Santander's actions caused a wider impact beyond that.

Taking all of the circumstances into account, I'm satisfied £100 is a fair reflection of the distress and inconvenience caused by Santander's handling of the situation. So, it should now pay Mr W that amount. I note that Santander has previously suggested this amount could be deducted from Mr W's outstanding balance. However, if Mr W would prefer to receive the payment directly, he should be given this option.

Finally, Mr W has said he's not in a position to pay the full balance and has referred to some financial difficulties. Santander says Mr W can enter a payment arrangement rather than paying the full balance upfront. While repayment of the balance wasn't part of the complaint that I've considered, I'd encourage Mr W to contact Santander to discuss his circumstances further if he hasn't already done so. I'd also remind Santander of its obligations to treat Mr W with due consideration and forbearance when seeking to recover any outstanding sums.

So, Santander should:

- Reduce the outstanding balance on Mr W's agreement by £1,579.35.
- Pay Mr W £100 compensation.

My final decision

My final decision is that I uphold Mr W's complaint. I require Santander Consumer (UK) Plc to carry out the directions outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 February 2026.

Stephen Billings
Ombudsman