

The complaint

Miss L complains that Motability Operations Limited trading as Motability Operations (Motability) terminated her hire agreement and intends to recover a car it supplied unless she repays the arrears.

What happened

I sent a provisional decision setting out what I thought about Miss L's complaint. I've copied the relevant parts of that provisional decision below – and they form part of this final decision.

- *"In May 2022, Miss L entered a car hire agreement with Motability. The agreement had a minimum term of three years. Miss L received a personal independence payment (PIP) through the Department for Work and Pensions (DWP), which included a mobility allowance. This allowance was paid directly to Motability to fund the hire agreement and ensure Miss L was kept mobile.*
- *In November 2024, DWP said Miss L was no longer eligible for the mobility allowance and the monthly payments were withdrawn. Miss L told Motability she was appealing against DWP's decision, and Motability agreed that she could keep the car during this process.*
- *By March 2025, the mandatory reconsideration had taken place and Miss L had appealed against the decision. Motability told Miss L it couldn't continue to support her and that it intended to collect the car. Miss L said she relied on the car and that taking it from her would cause her considerable harm due to her mental and physical health conditions.*
- *Two days later, DWP told Motability that following the appeal it had decided to reinstate the mobility allowance and would resume payments – so the agreement was able to continue.*
- *In May 2025 Motability wrote to Miss L and said she would need to return the car, as the hire agreement had reached the end of its minimum term and couldn't be extended due to the outstanding arrears. It said arrears of £1,406.79 had built up while DWP wasn't paying the allowance. Miss L made a complaint. She said Motability should contact DWP directly about the arrears, as it was responsible for making payments under the agreement. Motability agreed to extend the lease for a month while it looked into things.*
- *DWP said that while it was investigating Miss L's appeal, it made reduced payments of £29.20 per week directly to her. It said that after the allowance was reinstated it paid her the remaining £833.46. Motability said that Miss L had received all of the funds from DWP, so she needed to clear the arrears. It said she couldn't extend the agreement or apply for a new one while the arrears were outstanding – but could consider a payment plan if she could pay 50% of the arrears upfront. It acknowledged that it could have handled some of its calls with Miss L better than it did, and paid her £100 to recognise the distress and inconvenience caused by this.*
- *The complaint was referred to this service. One of our Investigators considered the*

complaint, but didn't think Motability had done anything wrong. Miss L disagreed, and said it wasn't her fault DWP failed to make the payment directly to Motability. She said Motability hadn't taken her disability or financial difficulties into consideration, and that its decision to take the car back would have significant consequences for her. She also remained unhappy with the way Motability's agents had spoken to her over the phone. She asked that the complaint be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

- Since the complaint was referred to this service, the agreement has been terminated and Motability says it intends to recover the car immediately. It agreed to hold recovery of the car for a short period while this service concludes its investigation.

What I've provisionally 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'd like to assure both parties that I've read and considered all of the information they've provided in reaching my decision. I've summarised Miss L's concerns in less detail than she has. I want to reassure Miss L that I read all of the information, but I'll only comment on what I consider to be the main parts of the complaint. Where evidence is incomplete or the accounts of what happened are different, I've considered what's more likely to have happened.

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. But my decision is based on what I consider to be fair and reasonable. Miss L 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.

I'd first like to thank Miss L for sharing details of her circumstances – which I won't repeat in detail here. It's clear she's been through a significantly difficult time, and she has my sympathy for this. I can appreciate Miss L relies heavily on the car, and it must have been extremely upsetting for her when Motability asked her to return it. I've considered whether Motability treated Miss L fairly taking all the relevant circumstances into account.

DWP and Motability are separate entities, and I can't hold Motability responsible for the actions of DWP. It was for DWP to decide whether Miss L was entitled to the required benefits to make her eligible for the Motability scheme. I understand Miss L didn't agree with - and successfully challenged - that decision. But I can't consider DWP's actions here – only Motability's.

It's not disputed that Miss L's allowance was withdrawn by DWP in November 2024, and that payments weren't made to Motability while Miss L appealed the decision. Based on the information I've seen, it appears DWP made a partial weekly payment to Miss L while the appeal was ongoing, and when it decided to give back the allowance it paid the backdated balance to her directly. This meant Miss L has already received the funds to cover the lease payments due between 9 November 2024 and 18 March 2025.

Under the agreement terms, Motability can terminate the lease if Miss L stops receiving an allowance. Because Miss L told Motability she was appealing against DWP's decision, I think it treated her fairly by allowing the agreement to continue – and letting her keep the car – while DWP considered her appeal. I've listened to the call that took place in November 2024 when Miss L told Motability what had happened. During this call, Motability's agent explained that if the appeal was successful, DWP would probably make the backdated payment to

Miss L directly, and that she would need to arrange to pay this herself. They also said DWP might make reduced payments to Miss L in the meantime, and recommended that she set this aside so that she would be in a position to make the payment.

Miss L says DWP told her they would pay Motability directly and that she didn't need to do anything further. While I can't say for sure what DWP told Miss L, I'm satisfied Motability did enough to make her aware that she'd be responsible for settling the arrears after her appeal, and that the payments from DWP might be made directly to her. I understand Miss L recalls being told that she wouldn't need to pay anything to Motability, but I haven't seen enough to be persuaded of this.

Although no payments were being made to Motability, Miss L had full use of the car for the entire period between November 2024 and March 2025. Now that DWP has given the allowance back and backdated the payment, I find it fair and reasonable that Miss L pays what – under normal circumstances – would have gone directly to Motability in the first instance had the allowance not been suspended.

Because the payment wasn't made to Motability – either by DWP or Miss L – the arrears built up on the account. This meant that when the agreement reached its minimum hire term there was an outstanding balance to pay. I don't think it was unreasonable for Motability to ask Miss L to pay this balance if she wanted to continue the agreement. It said it could agree a repayment arrangement and allow the agreement to continue if Miss L could pay 50% of the outstanding balance – which I find fair. While it now says it can't offer lease extensions if a customer is repaying arrears, Miss L has said she wasn't in a position to pay this amount in any case.

Under the terms, Motability can give notice to end the agreement at any time after the minimum hire term. Motability issued a termination notice to Miss L in August 2025. Given that the arrears had been outstanding for more than five months by that point – and that it had allowed her to retain the car for several months after the minimum hire term had come to an end – I don't find this unreasonable.

Miss L says Motability hasn't taken her difficult circumstances into account. She's explained that she's reliant on the car and that she cannot be without it. She also says she's experiencing financial difficulties, which have left her unable to make any significant payments toward the arrears. She's asked that Motability agree to a reduced payment plan based on her financial circumstances. I've considered this. While I understand how important it is to Miss L to keep the car, I need to consider that she already had the benefit of the backdated funds which were due to Motability. So, I don't think it would be fair to require Motability to allow her to keep the car unless she returns those funds.

I understand this will come as a disappointment to Miss L, and that being without the car will cause her significant difficulties – which she has my sincere sympathy for. But I can only require Motability to take action to put things right if I find it's made an error or treated her unfairly, and I don't think it has in this case. Motability says Miss L can apply to re-enter the scheme and start a new agreement once the arrears have been paid – which I find fair.

Miss L is also unhappy with the way Motability's agents spoke to her over the phone in March 2025, and she felt one of its agents lied to her. I've listened to these calls. It's clear that the calls were very distressing for Miss L. The calls became unproductive, and there were points where the agents could have been more helpful – but overall I think they were trying to assist Miss L with her queries and signpost her to DWP, as they were ultimately responsible for the decision to withdraw her allowance. I don't think there was any intention to mislead Miss L about this, although I agree its agent could have been clearer that it was Motability – not DWP – who had decided to end the lease.

Motability has already accepted that the calls could have been handled better and paid Miss L £100 for this. I think this is fair in the circumstances, and don't require Motability to do anything more than that."

Responses to my provisional decision

Motability accepted my provisional decision. It said while it sympathises with Miss L it has to be fair and consistent to all of its customers so cannot allow her to keep the car any longer while there's an outstanding debt. It said it could look at options for a new hire agreement and car once the arrears are paid.

Miss L didn't accept my provisional decision. In summary, she said:

- She hasn't refused to pay the arrears, and she's willing to pay what she can genuinely afford.
- Motability hasn't complied with Financial Conduct Authority (FCA) rules. Specifically, it hasn't followed the requirements set out in the Consumer Credit Sourcebook (CONC). In summary, these rules require Motability to treat her with forbearance and due consideration and to take into account her circumstances including her vulnerabilities and health problems. My provisional decision didn't apply these rules.
- Motability's suggestion that she pay a lump sum towards the arrears is unreasonable as it's not realistically affordable for her.
- Motability should consider forbearance options such as token payments or deferment of payments. It should also consider discretionary hardship funds or grants for vulnerable customers.
- Her significant vulnerabilities have been documented by DWP, her GP and social services, and losing the car will have a devastating impact on her safety and wellbeing.
- Motability hasn't provided any affordability assessment or explanation for the payment plan it suggested.
- She asks that any recovery action is paused until an affordability assessment is carried out followed by a realistic payment plan based on her financial means.
- She asks that I consider additional compensation taking into account Motability's handling of the situation and its failure to address her vulnerability.

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'd like to thank both parties for providing their comments in response to my provisional decision. I've considered these, and have now reached a decision.

I'd also like to assure Miss L that in reaching my provisional decision, I took into consideration the relevant rules – including the provisions under CONC that she's referred to. I also considered what she said about her vulnerabilities and what she's said about how losing the car will impact her. I've also considered these points when reaching this final decision.

Miss L has referred to Motability's suggestion that she pay 50% of the arrears before starting a payment plan. To clarify, while Motability initially suggested that it could consider a

payment plan on this basis and allow Miss L to keep the car, it no longer offers lease extensions to customers in arrears. So, even if Miss L did pay 50% of the outstanding balance it wouldn't allow her to keep the car. It says the hire agreement has come to an end, and that a new one can be agreed once the arrears are cleared.

As Miss L has highlighted, when a lender is aware that a customer is in financial difficulties – or otherwise unable to pay due to a change in circumstances – it ought to take positive steps to treat them fairly by providing appropriate support, forbearance and due consideration. This can involve considering a range of possible options – and lenders should pay due regard to the best interests of their customer when doing so. There aren't any specific steps a lender is required to take, as what is most appropriate will depend on the individual circumstances of the customer.

In this case, a repayment plan for the arrears hasn't yet been agreed, and Miss L hasn't made any payments towards the amount owed. Miss L has said she's in financial difficulty and unable to make any significant payments, and I'd expect Motability to take this into account when considering any payment arrangement with her. I'd encourage Miss L to get in touch with Motability to discuss her circumstances further so an affordable arrangement can be reached. In agreeing any payment arrangement, I'd expect Motability to take Miss L's circumstances and vulnerabilities into consideration and ensure that any payment arrangement is affordable and realistically sustainable for her.

However, in this case the way in which Miss L repays the arrears is separate from Motability's decision to recover the car. Miss L's agreement with Motability had a minimum hire term, which ended on 10 June 2025. After that date, Motability was able to end the agreement at any time by giving notice, as it did in this case. It wasn't under any obligation to extend the agreement beyond the minimum hire term. And for the reasons outlined in my provisional decision, I don't find it unreasonable that Motability decided to give notice to end the agreement taking into account the level of arrears that have built up.

So, while I agree with Miss L that Motability has an obligation to treat her with forbearance and due consideration, this doesn't mean it needs to allow her to keep the car now that the hire agreement has ended. Miss L was provided with a car under the terms of a hire agreement, and that agreement has now come to an end. Motability has said it's happy to look at a new agreement once the arrears on the previous one are cleared. I think this is reasonable, and I wouldn't expect Motability to enter a new agreement with Miss L while significant arrears are still outstanding on the previous one – for the reasons explained in my provisional decision. If Miss L does apply to re-enter the scheme in future, I'd expect Motability to consider her application fairly taking her circumstances into account.

Finally, Miss L has asked that I consider an additional compensation award, taking into consideration Motability's communication with her and the way it's addressed her vulnerability. As outlined in my provisional decision, I agree some of the phone calls between Motability and Miss L could have been handled better – and I think Motability's offer of £100 is fair compensation for that. I don't think Motability has made any other errors or treated Miss L unfairly here – so I don't require it to pay any additional compensation.

I appreciate this will come as a significant disappointment to Miss L, and I have significant sympathy for the situation she now finds herself in. But having considered her further comments I've reached the same overall outcome on her complaint for the same reasons. So, I don't uphold Miss L's complaint or require Motability to do anything further.

My final decision

My final decision is that I don't uphold Miss L's complaint about Motability Operations Limited

trading as Motability Operations.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 31 October 2025.

Stephen Billings
Ombudsman