

## The complaint

Mr J complains about the amount of money left owing when he ended his car finance agreement with Arkle Finance Limited (“Arkle”) through a voluntary surrender in 2023/4.

## What happened

Mr J entered into a hire purchase agreement for the supply of a used car in around September 2018. The agreement was due to last for around five years. In 2020/2021, largely following on from the Covid pandemic, Mr J fell into arrears with his payments.

In September 2023, Mr J agreed with Arkle to voluntarily surrender the car. He expected the sale proceeds to clear his remaining debt but complained after discovering in March 2024 that the car had only sold for a net figure of £3,137.56, leaving him still owing Arkle over £16,000.

Arkle investigated his complaint and issued a final response letter in July 2024. They upheld a small part of the complaint about the service he had received but didn’t uphold the bulk of his complaint about the sale price achieved and the amount of money he still owed.

Mr J brought his complaint to our service shortly afterwards, and it was investigated. The investigator gave their view that Arkle had done nothing wrong when ending the agreement and selling the car, but Mr J didn’t agree with this and asked for an Ombudsman to make a final decision, so the case has come to me for that final decision.

I issued a provisional decision on 12 September 2025 which was as follows:

*I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.*

*Having done so, I don’t feel that we’ve fully addressed what’s gone on here, and when I do that, I come to a different conclusion as to what should have happened. 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 view on the balance of probabilities – what I think is most likely 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 J was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we’re able to investigate complaints about it.*

*Unfortunately, I think the confusion has arisen here because Mr J has become very invested in what’s happened when he’s given the car back, the delays in it being auctioned, and the poor price he believes it achieved when that happened.*

*He also seems to have slightly unrealistic expectations as to what the car was worth at this time. He's quoted retail prices he's seen, but having examined the market, I don't think these were realistic figures to expect to achieve at an auction.*

*Equally, I don't think Arkle have really dealt with things very well at this point. They've taken far too long to auction the car, almost six months from collecting it, which has made Mr J believe something untoward has gone on.*

*Ultimately, I've taken a different approach to looking at what's a fair outcome here. I asked Arkle to provide a statement of account for his five-year agreement, as I was confused why after around five years, he still seemed to owe half the money or more to Arkle.*

*The statement of account shows an account which until the Covid pandemic of 2020, was being operated broadly fine, most payments were made on time, and Mr J was up to date with payments in March 2020 when the pandemic struck.*

*He's told Arkle about his problems during this period which I don't need to share here, but ultimately, from April 2020, he never made another full monthly payment, and by September 2023 when he surrendered the car, he'd only paid a total of £800 towards the agreement between April 2020 and its end in September 2023. During this period, he was contracted to have made payments of around £519 a month for the 43 months between his last monthly payment, and the agreement finally being ended, which would total over £22,000.*

*I asked Arkle for comments as to why this had occurred, and they said they were aware of his personal circumstances including the impact of the pandemic on his trade, and in light of this they had tried to resolve things amicably and avoided taking steps to recover the vehicle.*

*Whilst I can see on a human level this may feel like the right thing to do, I'm concerned that this has not met Arkle's requirements to treat customer fairly, and with forbearance. I went on to investigate Mr J's use of the vehicle during this period, and MOT records show that the mileage for the car was a little over 70,000 in February 2021, and by September 2023, when it was returned to them, it was around 74,500 miles. So, in the two and a half years years after they might have reasonably considered ending the agreement, Mr J has in fact only covered a little over 4,000 miles, which doesn't persuade me that his personal circumstances and need for the car would outweigh the financial impact it has had on him now.*

*I can't agree that Arkle have treated him fairly in allowing the agreement to continue for three and a half years years from April 2020, building up arrears, with the asset getting older and worth less, while Mr J was unable or unwilling to make payments.*

*I appreciate that this isn't exactly the complaint Mr J has made. However, when looking at how he's ended up in the situation he is in and with the problems that he has complained about, it is this issue which has led to his agreement being ended with Mr J still owing such a large amount of money. By this time, the car was much older, and it is alleged less road worthy that would have been the case if Arkle had dealt with this in a timely fashion and treated him fairly and with forbearance. As such, I think the only fair outcome here would be for Arkle to recalculate things based on what they should have done much sooner.*

*Industry guidelines about defaults and when they should be implemented say that a default can generally be registered once someone is three months in arrears, but it would be expected for one to be registered by the time the account is six months behind. It feels fair that this timeline would only have begun once the payment deferral period granted via the temporary FCA rules during the pandemic had finished, and as this would have allowed Mr J*

*six months of payment holidays, I would say that once Mr J was in total 12 months in arrears including the payment holidays due to Covid, this should have been the maximum point before Arkle took action.*

*So, in the circumstances here, this would mean that by the time they reached April 2021 without Mr J having made any more payments, I'd have expected them to follow a process to issue a default notice and then to default and terminate the account and recover the car. I accept that this isn't an exact science, but using industry guidelines, and what we know now, I feel this gives the fairest reflection of what should have happened here.*

*Whilst I can't be certain of the exact date this should have happened, I am satisfied that by 1 June 2021, the account should have been defaulted, the agreement terminated, and the car collected. I think this would have given Mr J a fair period to try to get back on track and make payments and try to deal with the arrears but would also have fairly drawn a line under things from Arkle's point of view and given them time to issue a default and terminate the account, when it became clear Mr J wasn't going to be able to get his finances back on track.*

*I've gone on to consider what impact this has had. The default on this account should have been registered at this time, which is by now over four years ago, meaning it would be more than halfway through the six-year period where it remains on Mr J's credit file. The car would have been in better condition and worth more than it was by 2024 when it was sold for an amount Mr J doesn't believe was fair. This would have left Mr J with a much lower debt remaining than is now the case.*

*I've looked at what the value of the car would have been in June 2021 when I am satisfied the agreement should have ended and the car should have been collected and sold. Using a well-known valuation tool, which includes a number of adverts for similar cars and what they were being sold for around this time, the trade value for the car on 1 June 2021 is calculated as being £15,803 for a car of this mileage in good condition. I'm satisfied that the trade value gives me the most likely figure to represent what might have been achieved at auction.*

*Whilst I can't be certain of the condition of the car at this time, it did pass MOTs before and after this date with the only noted advisory being two of the tyres being close to worn. Unfortunately, valuing a car isn't an exact science, but based on what we know for this time, I think it would be fair to use this trade valuation as the most likely figure the car would have achieved at auction. Mr J believes the car was in excellent condition when he gave it back in 2023, and I think it's reasonable to assume part of his belief here is because it had been looked after during his ownership and kept it good condition along the way.*

*So, my provisional decision is that Arkle should recalculate Mr J's account to reflect the fact I believe they should have terminated his account and auctioned the car on 1 June 2021 and achieved an auction price of £15,803. The default should be registered from the same date, 1 June 2021. Normal fees that would be charged including auction fees can be deducted from this figure when calculating the balance Mr J would have owed Arkle at this point.*

*As well as this, Arkle should reflect the small payments totalling £800 that Mr J made following this date when calculating the remaining balance Mr J still owes. This will still leave a balance owing by Mr J, but I think is a fairer reflection of what should have happened here if Mr J had been treated fairly and his account had been dealt with by Arkle in a fair way with forbearance.*

*Finally, Arkle should pay Mr J £500 for the distress and inconvenience caused here. They've told us that they knew he was struggling and vulnerable during this time, and the lack of action to resolve his difficulties with this agreement has ultimately caused him far more*

*distress than if they had dealt with the situation in a timely fashion and with forbearance at the right time.*

### **Putting things right**

*My provisional decision is that Arkle should recalculate Mr J's account to reflect the fact that the account should have been defaulted and terminated by 1 June 2021.*

*This includes:*

- *Consider and report the default and termination date as 1 June 2021.*
- *Consider the car to have been auctioned at this date for a value of £15,803, less any associated fees that would normally be charged.*
- *Recalculate Mr J's account at this date to reflect these alterations.*
- *Arkle can retain Mr J's further payments totalling £800 into account after this date as payments towards the remaining debt when they were made, so should recalculate his remaining debt now to include these.*
- *Arkle should pay Mr J £500 for the distress and inconvenience caused to him by not dealing with his account fairly in a timely fashion.*

### **My provisional decision**

*My provisional decision is that I intend to uphold this complaint and direct Arkle to carry out the above.*

### **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.

Mr J accepted the provisional decision, but Arkle didn't and provided their comments and thoughts. They felt that as Mr J had paid over a third of the payments, they would have had to get a court order to repossess the car, and as the suggested time was towards the end of the pandemic, there was a 12-month backlog at the courts for this. They said their call notes showed they had offered Mr J the chance to surrender the car, but he wanted to sell his house to settle the finance, and they had marked him as vulnerable so repossessions should only be enacted as a last resort. On this basis, they said the earliest they could get possession of the vehicle was June 2022, even if they had been granted a court order to repossess it.

I've thought about these points, but they don't persuade me that the outcome should be different to my provisional decision. If they had carried out a default and terminated the account, Arkle may have needed to wait for a court order to repossess the vehicle, but that's just guess work I'm afraid. Even if they had waited, the account would have been frozen, and there is nothing to say that if the agreement had been terminated so he knew he wasn't going to keep the car, Mr J wouldn't have accepted the surrender of the car anyway.

Arkle's responsibility for a customer in Mr J's situation would be to treat him with forbearance. This doesn't mean that they should have allowed him to keep a car he couldn't afford, building up debt he couldn't pay, because they felt he was vulnerable or somehow that this was the fairest thing to do. It wasn't the fairest thing to do as time has proven, and if they had let things continue for a little bit longer than expected that would be one thing, but they left Mr J with an ageing asset for well over three years without receiving any monthly payments, which disadvantaged him. This isn't showing forbearance.

I also don't think him telling them he'll repay the debt by selling his house is a fair reason to delay ending the agreement, as clearly a house sale can take a long time, and indeed it never seems to have happened here. Their final argument is that the vehicle has not been maintained particularly well so it's unfair to apply a clean rating to the vehicle. I've seen no evidence that the car wasn't maintained well during the period in question; indeed, the limited use over the following years has probably led to the vehicle not being in the best condition by 2023/4 when they've finally taken the car back.

I appreciate that the pandemic was a new situation to all parties and made decisions difficult for businesses and consumers. But Mr J hasn't made a monthly payment for the car from March 2020 until it was finally surrendered in September 2023. Then after six months, Arkle have sold the car at what seems a low value, based on them saying it was in poor condition. I think it's reasonable to deduce that the condition of the car became much poorer in the years after Mr J stopped making payments, as if he couldn't afford to make the payments, he also likely couldn't afford to maintain the car suitably. I don't think this would have meant its condition was poor by June 2021, so I think using the standard valuation is fair.

In choosing to not terminate the agreement and trying to take the car back much sooner, Arkle have not shown forbearance or treated Mr J fairly. As such, I am satisfied that my provisional decision was fair, and I instruct Arkle to put things right as laid out below.

### **Putting things right**

My decision is that Arkle should recalculate Mr J's account to reflect the fact that the account should have been defaulted and terminated by 1 June 2021.

This includes:

- Consider and report the default and termination date as 1 June 2021.
- Consider the car to have been auctioned at this date for a value of £15,803, less any associated fees that would normally be charged.
- Recalculate Mr J's account at this date to reflect these alterations.
- Arkle can retain Mr J's further payments totalling £800 into the account after this date as payments towards the remaining debt when they were made, so should recalculate his remaining debt now to include these.
- Arkle should pay Mr J £500 for the distress and inconvenience caused to him by not dealing with his account fairly in a timely fashion.

### **My final decision**

I am upholding this complaint and instruct Arkle to carry out the above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 28 October 2025.

Paul Cronin  
**Ombudsman**