

The complaint

Mr G complains about charges in relation to a car he took out using a hire purchase agreement provided by Lex Autolease Ltd ("Lex").

What happened

In April 2023, Mr G acquired a car using a hire agreement with Lex. The minimum period of hire was 55 months, made up of 54 regular, monthly rentals of £448. An initial rental of £2,687.98 was to be paid. These rentals included Value Added Tax ("VAT").

In May 2025, Lex sent Mr G a road tax invoice, for an amount of £234. This was the Vehicle Excise Duty ("VED"), sometimes referred to as the road fund licence, or road tax, that was applicable to be paid on the car that Mr G acquired. It explained that the current licence amount at the time was £195, and that VAT was also payable on the amount, bringing the invoice total to £234. The invoice said:

"The cost of the Road Tax... can increase or decrease during the life of your contract.... As [the road tax] is part of the contract it is subject to VAT, which is included within the calculation of this document."

Lex sent Mr G the invoice as they thought he was liable to pay it under the terms of the agreement.

Mr G didn't think it was fair to be charged a £39 VAT charge and didn't think it should have been included. So, Mr G complained to Lex in May 2025 and asked for clarity on the matter.

After eight weeks had passed and Lex hadn't given their final response to Mr G, he referred his complaint to our service in July 2025.

Shortly afterwards, Lex provided Mr G their final response and explained that they didn't think they had made a mistake. In summary, they thought VAT was chargeable as arranging for the recharge in VED was something that formed part of the service it provided him under the hire agreement.

Our investigator didn't uphold Mr G's complaint. In summary, he found that Lex did nothing wrong with invoicing Mr G for the VED amount owed. The investigator went on to say that he was not in a position to make a finding on whether Lex was applying VAT correctly in this instance, and that he should direct this point to His Majesty's Revenue and Customs ("HMRC") if he remained unhappy.

Mr G disagreed with the investigator's findings. Mr G believed Lex have incorrectly applied VAT to the VED, by treating the recharge as part of its hire service. Mr G believed that as the VED is a statutory tax, and not a supply of goods or services, he is essentially paying tax on a tax. Mr G doesn't think this is an issue for HMRC to resolve, but rather that Lex has acted unfairly in passing on this charge.

As Mr G disagreed with the investigator's findings, the complaint was passed to me to decide.

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'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

It's worth setting out upfront that Mr G has confirmed to our service that his complaint isn't in relation to his requirement to pay for the VED. He accepts the VED, or any increase in it during the term of hire is something he needed to pay for. For completeness, having reviewed the terms of the agreement, I also agree that Mr G is liable to pay the VED (which is included in his rentals), as well as any increase in it, by paying the difference on demand.

What is in dispute here and what Mr G complains about is whether the VAT element (that being £39) should have also been applied to the charge he is being asked to pay.

Whether Lex has applied the VAT correctly on the recharge and whether Lex's reasoning that it is part of the overall service provided under the agreement – I'm afraid I have to tell Mr G that this isn't a question or complaint point that I can answer. VAT is administered and collected by HMRC. This service does not regulate HMRC and would not get involved in claims or queries about a business' application or interpretation of the VAT rules. If Mr G has ongoing concerns about Lex's interpretation or application of VAT, I'd suggest he contacts HMRC directly and raises the matter with them.

My final decision

For the reasons I've explained, I don't uphold this complaint. So, I don't require Lex Autolease Ltd to do anything more here. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 18 December 2025.

Ronesh Amin
Ombudsman