

The complaint

Mr R complains about charges applied by BMW FINANCIAL SERVICES (GB) LIMITED trading as ALPHERA Financial Services (Alphera) after he voluntarily terminated a hire purchase agreement.

What happened

In November 2021, Mr R was supplied with a used car through a hire purchase agreement with Alphera. The cash price of the car was £21,395 and he paid an advance payment of £486.72 through a part exchange. The agreement was for £20,908.28 to be repaid over 49 months; with 48 monthly payments of £398.67 followed by a final payment of £7,400. At the time of supply, the car was around four years old with a mileage of 78,050.

In January 2025, Mr R voluntarily terminated the agreement as he was experiencing financial difficulties and could no longer afford it. The car was returned and Alphera arranged an inspection. At that point, the car was more than seven years old and had travelled 109,070 miles. The inspector noted some damage to the car, and the following charges were applied:

- Service history missing - £500
- Alloy wheel LHF – scratched - £80
- Alloy wheel LHR – scratched - £80
- Alloy wheel RHF – scratched - £80
- Front bumper – scratched - £45
- Bonnet – dented with paint damage - £255
- A post LH – dented with paint damage - £255
- Door LHR – dented with paint damage - £255
- Sill LH – dented with paint damage - £255
- Qtr panel LHR – dented with paint damage - £255
- Qtr panel RHR – dented with paint damage - £255
- Rear bumper – Scratched - £106

Alphera told Mr R the total cost of settling the agreement came to £3,625.53. This was made up of the charges applied for the above damage (£2,421), an excess mileage charge (£407.19) and arrears that accrued before the agreement was terminated (£797.34). Mr R offered to pay £50 per month – but Alphera didn't agree to enter a payment arrangement.

Mr R made a complaint. He didn't think the damage went beyond fair wear and tear given the age and mileage of the car. He said he'd returned the service history with the car so didn't understand why he was being charged for this. Overall, he felt the charges were disproportionately high – and asked for evidence that Alphera had actually paid this amount to repair the car. He was also unhappy his offer to pay had been declined and didn't feel

Alphera was treating him fairly given his financial circumstances.

Alphera didn't agree it had made an error. It said the charges had been applied fairly in line with the British Vehicle Rental and Leasing Association (BVRLA) guidelines. It also noted that there was no evidence of the car having been serviced since 2021 when it was supplied to Mr R. It said it had been unable to agree a payment plan as it wasn't affordable for Mr R.

The complaint was referred to this service and was considered by one of our Investigators. They were satisfied the majority of the charges were applied fairly – but didn't think Alphera had clearly shown the front bumper damage so recommended that this charge be removed. They were satisfied Alphera had treated Mr R fairly by not agreeing a payment plan at the time.

Alphera accepted the Investigator's conclusions, but Mr R didn't. In summary, he remained of the opinion that the charges were excessive and disproportionate. He didn't think it was fair to apply the BVRLA standards – as they were designed for newer cars. He accepted the door was dented – but thought the remaining charges were unfair and would only worsen his financial difficulties and cause considerable stress and upset. He asked for the complaint to be referred to an Ombudsman for a final decision. So, it's been 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.

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 R was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we can investigate complaints about it.

I was very sorry to hear about Mr R's personal circumstances. It's clear he's been through a difficult time, and he has my sympathy for this. But, being impartial I need to think critically about whether Alphera has done anything wrong or otherwise treated Mr R unfairly. If I find it hasn't, then I can't reasonably require it to take any action.

The amount Alphera charged Mr R includes the arrears due under the agreement, an excess mileage charge and damage charges. Mr R hasn't suggested that he disputes the arrears or mileage charges, so I won't comment on those in detail here. Mr R says the damage charges are unfair.

The terms of the agreement state:

“Other Charges (...)

b) if the Vehicle is not returned in good repair and condition (allowing for fair wear and tear), we will charge you a set cost for each item of damage we would have to repair to return the Vehicle to the state we expected it to be in (we use recognised industry standards to determine this). These charges reflect the cost to us in carrying out the works needed. (...) If we end this agreement, we may, at our sole discretion, sell the Vehicle without repairing it in which case you will have to compensate us for the resulting reduction in the Vehicle's value.”

Mr R has asked Alphera to demonstrate the actual costs paid to repair the damage. But I don't think Alphera needs to show this – as it's reasonable to assume that damage to a car

will have an impact on its sale price, even if it didn't arrange to repair the damage itself. Under the terms of the agreement, it's within Alphera's discretion whether it decides to repair the damage. So, I don't find it unreasonable that Alphera applied charges for damage present when the car was returned – as long as it can show that the damage went beyond fair wear and tear.

I've considered whether Alphera applied the charges fairly – taking into account the conclusions reached by the inspector, as well as photos taken at the time. The BVRLA sets industry guidance on what is considered fair wear and tear. I've taken this guidance into account.

The BVRLA guidance is generally intended for new cars that have been returned at the end of their first finance agreement – so it's mainly used to assess damage on cars that are a few years old. But it can also be used for older cars, where the age and mileage of the car are taken into account. In this case, the car was already around four years old when it was supplied to Mr R – and was over seven years old when it was returned to Alphera, with a mileage of 109,070. So, I think it would be reasonable for the car to have more signs of wear and tear than a newer one with a lower mileage. Mr R hasn't suggested that any of the damage Alphera charged for was present when the car was originally supplied – and I haven't seen any photos or other evidence from the point of supply to suggest this is the case. I've considered this when deciding whether the damage Alphera has charged for goes beyond fair wear and tear.

I've considered each of the areas of damage Alphera has applied a charge for. Alphera has already agreed to remove the front bumper charge – so I won't comment on it in detail here. But for completeness, I agree with our Investigator that there's no scratch visible on the photo of the front bumper – so it's fair that this charge be removed as Alphera hasn't demonstrated this damage.

Alloy wheels

The BVRLA guidance allows for damage of up to 50mm across the circumference of the wheel rim. From the photos, there are visible scuffs totalling significantly more than 50mm across the circumference of each of the wheels Alphera has charged for. I'm satisfied this damage goes beyond fair wear and tear – taking into account the age and mileage of the car.

Scratches and dents

For the bodywork, the BVRLA guidance allows for a maximum of four surface scratches as long as they measure 25mm or less. It also allows for up to two dents per panel as long as the paint surface isn't broken and the diameter doesn't exceed 15mm. Alphera has applied charges for scratches and dents across seven panels of the bodywork. As I've noted, I've also taken into account the age and mileage of the car when considering whether the damage goes beyond fair wear and tear.

Mr R accepts the left-hand door has a dent – and this is clearly visible and significantly exceeds 15mm.

The rear bumper has multiple scratches, at least one of which significantly exceeds 25mm.

The left-hand sill has at least one visible dent and multiple scratches. The size of the dent isn't clear – but the paint surface is visibly broken, and there's a deep scratch significantly exceeding 25mm.

The left-hand rear quarter panel has a visible dent with a large area of broken paintwork. Based on the reflections in the photo and the measuring tool, I'm satisfied the dent exceeds 15mm.

The right-hand rear quarter panel is severely scratched with multiple areas of broken paintwork. There appears to be a large, dented area significantly exceeding 15mm where the paintwork has been stripped.

The left-hand A post has a visibly dented area exceeding 15mm with broken paintwork.

The bonnet has a long scratch of at least 150mm. While not entirely clear, the reflection in the photo is distorted in a way that suggests the panel is dented.

Taking all of the circumstances into account – including the age and mileage of the car - I'm satisfied the areas highlighted in the inspection show clear damage going beyond fair wear and tear. So, I'm satisfied the charges were applied fairly and don't require Alphaera to remove them.

Mr R says the costs quoted by Alphaera are excessive. Having reviewed the charges, I don't find that they're out of line with what I'd normally expect, given the extent and nature of the damage. Many of the charges reflect panels being repaired and repainted – as they're either dented or the paintwork is significantly damaged. This is in line with the damage visible in the photos.

Mr R had the option of arranging repairs to the car himself before returning it if he thought he could do so at a cheaper rate. In its guidance, the BVRLA advises customers to arrange repairs for any areas of damage before returning a car, ensuring work is carried out to a professional standard.

Service history

Alphaera applied a £500 charge for the missing service history. The BVRLA guidelines say cars must be serviced and looked after according to the manufacturer's servicing schedule. They also say customers must provide evidence of the service history and evidence that the car has been serviced during the term of the agreement – and that lenders can apply a charge if the car hasn't been serviced. The agreement also required Mr R to keep the car serviced. The manufacturer recommends that cars are serviced at least once every 12 months.

Mr R provided a copy of the car's servicing history. However, this doesn't show any services carried out after 2021 when the car was supplied to him. The agreement lasted more than three years – so the car should have been serviced at least three times while it was with Mr R. When the car was returned, the 'service overdue' light was illuminated, and displayed "13,000 mi".

Mr R says the car was serviced – but the dashboard wasn't reset so the 'service overdue' light remained on. He said he provided Alphaera with evidence of the service history. I've reviewed Alphaera's contact notes and can't see anything to suggest it received details of any service arranged by Mr R while he had the car. And Mr R hasn't provided this service with any evidence to show the car was serviced in line with the manufacturer's recommendations after it was supplied to him.

Mr R hasn't been able to show that the car was serviced in line with the manufacturer's guidelines during the term of the agreement. A lack of servicing could result in the car needing additional maintenance and could affect its resale value. So, I'm satisfied Alphaera

acted fairly by applying a charge for the missing service history.

Other considerations

Mr R says Alphera's handling of the situation has worsened his financial circumstances. Specifically, he says that refusing to agree a payment plan has left him with a significant outstanding balance – which will cause difficulties applying for credit in future.

I was sorry to hear about Mr R's financial difficulties. I appreciate it would have come as a shock when he was asked to pay such a significant sum – especially as he terminated the agreement because he could no longer afford it and wasn't expecting to have to pay anything more. When discussing potential payment arrangements, I'd expect Alphera to provide appropriate forbearance and due consideration, taking Mr R's circumstances into account.

Alphera didn't accept Mr R's offer of £50 per month as it would take too long to clear the balance. It said it would normally consider a payment plan to repay the balance within 12 months – which wouldn't be affordable for Mr R given what he'd said about his circumstances. While lenders should consider any payment offers, they aren't required to agree an arrangement to pay in all circumstances. For example, a lender might not agree a payment arrangement if it would take too long to repay the balance – or if it isn't affordable for their customer.

While I appreciate Mr R couldn't offer more, £50 per month is significantly less than the outstanding balance – and it would have taken around six years to clear the balance at that rate. I don't find it unreasonable in these circumstances that Alphera didn't accept Mr R's offer. Alphera has said it's happy to discuss a payment arrangement in future if Mr R's financial circumstances change, which I find fair.

Summary

I appreciate this will come as a significant disappointment to Mr R. But for the reasons I've explained, I'm satisfied most of the damage charges applied by Alphera are fair in the circumstances. I'm also satisfied Mr R hasn't shown he had the car serviced in line with the manufacturer's recommendations – and that Alphera can apply a charge for this. But I'm not satisfied that the £45 charge for damage to the front bumper is fair – so Alphera should remove this charge. I don't find that Alphera treated Mr R unfairly in any other way.

My final decision

My final decision is that I uphold Mr R's complaint. I require BMW FINANCIAL SERVICES (GB) LIMITED trading as ALPHERA Financial Services to remove the £45 front bumper damage charge.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 25 February 2026.

Stephen Billings
Ombudsman