

The complaint

Mr L complains about a hire purchase agreement he has with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (VWFS). Mr L is unhappy after attempting to voluntarily terminate the hire purchase agreement as he believes the amount quoted to settle the agreement, under voluntary termination, is incorrect. Mr L believes VWFS has incorrectly included the final (commonly called balloon) payment in the calculation.

What happened

Mr L acquired a used car using finance provided by VWFS through a regulated hire purchase agreement. The cash price of the car was £65,800 and after paying a deposit of £15,711, £50,089 was used through the hire purchase agreement for the remainder of the cash price.

The hire purchase agreement had additional interest and charges, which meant the total amount payable under the agreement, assuming all repayments were made, was £82,145.24.

Amongst other things, Mr L's hire purchase agreement included a section titled Termination: Your Rights, which set out Mr L's right to voluntarily terminate the hire purchase agreement. And that should Mr L exercise his right to voluntary termination, VWFS will be entitled to the return of the goods and to half the total amount payable under this agreement. That amount is shown on the agreement as £41,072.62.

Mr L contacted VWFS to enquire about voluntary termination and received a quotation from VWFS that set out how much Mr L was required to pay under voluntary termination. Mr L complained about this amount as he thought it was too high. Mr L believes VWFS has incorrectly included the balloon payment, of £29,830, in the voluntary termination liability calculation. The result of this has increased the amount due on voluntary termination.

VWFS responded to his complaint and explained that it does not consider it has incorrectly calculated the voluntary termination liability amount and the balloon payment has been correctly factored into the amount due under voluntary termination.

Mr L remained unhappy with VWFS' response and referred his complaint to our service. It was considered by one of our investigators, who explained that the balloon payment can be included in the total amount payable under the hire purchase agreement and when calculating the amount due on voluntary termination.

Mr L did not accept the investigator's view and asked for his complaint to be reviewed by a senior ombudsman. It has therefore been referred to me as the last stage in our process.

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.

Having done so, my decision here will come as further disappointment to Mr L as I have come to the same overall conclusions as the investigator and have not upheld his complaint. Mr L is unfortunately mistaken in his understanding of his rights or how his liability under voluntary termination is calculated.

Mr L has referred to the law and previous decisions by our service that he believes support his case. Mr L has not however provided any specific reference to case law or other decisions that support his argument that the balloon payment should not be included in the voluntary termination liability.

Firstly, Mr L's hire purchase agreement sets out very clearly that the total amount payable under the hire purchase agreement is £82,145.24. The Termination: Your Rights section is also very clear that should Mr L exercise his right to voluntarily terminate the agreement VWFS will be entitled to half the total amount payable under the agreement, which is £41,072.62.

I'm satisfied that Mr L was therefore aware of his liability at the outset, should he decide to exercise his right to voluntarily terminate the hire purchase agreement at some point later.

Mr L's argument is not that he was unaware of the amount that would be due, but that VWFS has incorrectly calculated his liability as it has included the balloon payment of £29,830. Mr L believes the liability should be calculated without including the balloon payment.

As the investigator has previously set out, section 100 of the Consumer Credit Act 1974 (CCA) refers to the liability of the debtor on termination of a hire purchase agreement. This refers to the total price and unless the creditor agrees to accept a lesser amount, the debtor will be required to pay half of the total price due immediately before termination. This section refers to other things but as they do not relate to the issue here and whether the balloon payment can be included in the voluntary termination liability, I will not refer to those sections.

Total price is defined under section 189 of the CCA and *...means the total sum payable by the debtor under a hire-purchase agreement or a conditional sale agreement, including any sum payable on the exercise of an option to purchase, but excluding any sum payable as a penalty or as compensation or damages for a breach of the agreement...*

There is no reference in this section, or any other section of the CCA, that refers to the balloon payment and that it should not be included in the total price, the total sum payable or the liability that's due on voluntary termination. Reference in this section to total sum payable is in my view clearly linked to the £82,145.24 total amount payable under Mr L's hire purchase agreement. I am therefore satisfied that when including the balloon payment of £29,830 when calculating Mr L's liability under voluntary termination, VWFS has not done so incorrectly. Nor is it unfair in my view, if it chooses to do so, for VWFS to include the balloon payment when calculating the voluntary termination liability.

I fully appreciate Mr L was expecting to have no liability on voluntary termination and to be able to hand back the car without needing to pay VWFS anything more. But having considered the circumstances of this complaint, there are no grounds for me to instruct VWFS to reduce or write off the amount due on voluntary termination.

Mr L has referred to the additional sums he has paid VWFS and others for the costs associated with the car since he requested voluntary termination. But as I have not found that VWFS has incorrectly calculated the voluntary termination liability by including the

balloon payment, there are no grounds for me to direct VWFS to reimburse Mr L for these sums.

I appreciate Mr L will likely be unhappy with my decision here but this is the last stage in our process and should Mr L decide to continue his dispute with VWFS, he will need to do so through alternative means, such as the courts. Should, on reflection, Mr L decide to now proceed with voluntary termination, VWFS will very likely need to recalculate an updated voluntary termination liability and again set this out clearly for Mr L to consider and decide whether to proceed. I leave that to Mr L and VWFS, should it be necessary.

My final decision

My final decision is that I do not uphold Mr L's complaint against Volkswagen Financial Services (UK) Limited trading as Audi Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 March 2026.

Mark Hollands
Ombudsman