

## The complaint

Mr K is unhappy that BMW Financial Services (GB) Limited trading as Alphera Financial Services ('BMWFS') reported a default on a hire purchase agreement he had with them.

## What happened

In March 2024, Mr K was supplied with a used car through a hire purchase agreement with BMWFS. He paid an advance payment of £15,000 and the agreement was for £60,995 over 48 months; with 47 monthly payments of £864.44 and a final payment of £39,627. This contained a term that stated that BMWFS had the right to default and terminate the agreement under certain circumstances, including if the car was seized by the police or if someone else acquired any rights over it.

On 6 December 2024, BMWFS were advised the car had been seized by the police due to reckless driving and was now impounded. They spoke to Mr K on 9 December 2024 and asked him to provide copies of his insurance certificate, driving licence, proof of address, and the V5C document. They also advised him that, if he couldn't provide these, they may have to end the agreement and recover the car.

BMWFS noted that the car wasn't registered in Mr K's name, so they made the decision to default and terminate the agreement. On 11 December 2024, they issued a default notice to Mr K., giving him until 31 December 2024 to repay the full outstanding balance of £58,943.83, otherwise they would register a default, terminate the agreement, and recover the car. They followed this up by an email on 17 December 2024, confirming the dates and what would happen.

On 30 December 2024, Mr K contacted BMWFS to say that he wasn't able to pay the full outstanding balance by the 31 December 2024, and he asked for an extension. This was granted, and BMWFS wrote to him to confirm *"we need to receive the full settlement of £58,943.93 by 8 January 2025 to avoid termination of the agreement."*

Mr K didn't pay the full outstanding balance by 8 January 2025, but his normal monthly payment was collected that day. So, BMWFS issued a revised settlement figure of £58,448.54, which was valid until 5 February 2025. The agreement was terminated on 13 January 2025 and, between 16 and 18 January 2025, Mr K paid BMWFS a total of £58,448.54.

Mr K complained to BMWFS on 7 May 2025 that they'd registered a default despite agreeing to an extension, and him settling the agreement. BMWFS responded on 7 May 2025, saying they thought they'd acted reasonably in defaulting the agreement. However, they offered Mr K £100 due to the delays in dealing with his matter.

Mr K wasn't happy with what'd happened, and he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator thought BMWFS had acted fairly and reasonably when they defaulted the agreement. They said that, although Mr K had the need for reasonable adjustments, he'd not

advised BMWFS of his medical condition. So, they didn't think BMWFS had breached any of the Consumer Duty regulations.

However, the investigators said that BMWFS hadn't registered the default as settled for seven months. So, they thought BMWFS should increase the compensation to a total of £250 to recognise the distress and inconvenience this caused.

BMWFS accepted the investigator's opinion, but Mr K didn't. He said that, by extending the date for settlement to 8 January 2025, BMWFS created the expectation that payment by that date would prevent default and termination. So, he didn't think it was fair they defaulted his agreement on 31 December 2024. He also said that he acted in good faith by settling the agreement, and that his medical condition affects how he manages complex and ambiguous information. So, he thought BMWFS had acted unfairly.

Because Mr K didn't agree, this matter has 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. 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 K 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.

It's not disputed that Mr K breached the terms of the agreement, and this gave BMWFS the right to default and terminate it. And I'm satisfied that the default notice sent on 11 December 2024 clearly stated what Mr K needed to do, and by when, to avoid a default being registered against him.

It's also not disputed that BMWFS agreed to extend the date in the default notice from 31 December 2024 to 8 January 2025, giving Mr K around an extra week to clear the full outstanding balance before default and termination took place. However, crucially, Mr K didn't clear the full outstanding balance by the agreed extension date, instead just making the normal monthly payment.

As Mr K didn't comply with the default notice and the extension date, BMWFS defaulted the agreement. Mr K has provided a snapshot of his credit agreement which shows the default wasn't registered until 13 January 2025, not the 31 December 2024 as he's said it was. This happened after the expiry of the extension date, but before Mr K cleared the outstanding balance. As such, I'm satisfied that BMWFS acted reasonably by defaulting the agreement when they did.

Mr K has explained how his medical condition makes it difficult for him to process complex and ambiguous information. And, when he made the payment on 8 January 2025, BMWFS sent him an updated settlement balance, valid until 5 February 2025. Mr K has confirmed that he didn't make BMWFS aware of his medical condition, so it's not reasonable to expect

them to tailor their communications for a need they were unaware of. As such, I don't consider they've breached the Consumer Duty regulations.

The revised settlement figure was dated 8 January 2025 and sent to Mr K by post. So, he wouldn't have received this until after the extension date for clearing the full outstanding balance had expired. So, I don't think it was reasonable to believe this letter further extended the date to avoid a default to 5 February 2025. And I don't think BMWFS acted unreasonably by advising Mr K how much he now needed to pay to clear the outstanding balance.

However, when Mr K cleared the outstanding balance on 18 January 2025, BMWFS failed to register the default as settled for seven months. So, I think they need to do something to put things right.

### **Putting things right**

As I've said above, by failing to clear the full outstanding balance by the extension date of 8 January 2025, the agreement was always going to default. And this default will remain on Mr K's credit file for a period of six years. However, while potential lenders will take this into consideration with any lending decisions within that six-year period, the fact that the default has been settled may have an impact on those decisions.

Mr K had a credit limit reduced in March 2025. While this may have been as a result of the default, the fact that the default had been satisfied may possibly have impacted this decision, either with regards to the limit decrease itself, or on the amount it was reduced to. This is something that Mr K will never know. And it's not possible to say what other impacts that BMWFS's failure to record the default as satisfied for seven months may have had. But I do think that Mr K should be compensated for what happened, and the worry and inconvenience this caused. But this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

I note our investigator recommended BMWFS increase their compensation by £150, to a total of £250, to recognise the distress and inconvenience Mr K was caused. And having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward. So, this is a payment I'm directing BMWFS to make

Therefore, BMWFS should pay Mr K a total of £250 to compensate him for the trouble and inconvenience caused by their delays in reporting the default had been satisfied. They must pay this compensation within 28 days of the date on which we tell them Mr K accepts my final decision. If they pay later than this date, BMWFS must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment.

If HM Revenue & Customs requires BMWFS to take off tax from this interest, BMWFS must give Mr K a certificate showing how much tax they've taken off if he asks for one.

### **My final decision**

For the reasons explained, I uphold Mr K's complaint about BMW Financial Services (GB) Limited trading as Alphera Financial Services. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 8 December 2025.

Andrew Burford  
**Ombudsman**