

The complaint

Mr R has complained that BMW FINANCIAL SERVICES (GB) LIMITED ('BMWFS') has unfairly recorded arrears on his credit file. He's also said it unfairly charged him for a missing V5C, although he returned it.

What happened

In February 2021, Mr R entered into a finance agreement for a new car. In October 2024, he decided to voluntarily terminate ('VT') the agreement, and the car was collected in the November.

However, Mr R found out soon afterwards that he had adverse entries relating to the agreement on his credit file. This was relating to the non-payment of the October monthly instalment. Mr R feels this shouldn't have been payable, as he'd received his VT letter saying the outstanding balance was zero, and he'd exercised his right to VT in the October. He'd then cancelled his direct debit. He also said he'd returned the V5C by post in November 2024, but had been charged £100 for it as missing.

BMWFS said the credit reporting was accurate. It said the October instalment had become payable before the agreement had terminated. And it was correct to charge for the V5C, as it hadn't been received.

One of our investigators looked into what had happened. He noted that a consumer can VT their agreement when more than half of the total amount repayable has been paid. And, Mr R had repaid more than half. However, section 99(2) of the Consumer Credit Act 1974 (the 'CCA') states, in respect of VT, that: "Termination of an agreement under subsection (1) does not affect any liability under the agreement which has accrued before termination...".

Our investigator was satisfied that the October 2024 instalment had already accrued, so needed to be paid. And BMWFS had emailed Mr R on 22 October 2024 to say it had called for the October direct debit payment, and it remained due. So, he thought it fair that BMWFS had recorded this on Mr R's credit file.

Our investigator then looked at the issue of the V5C. He took into account section 100(4) of the CCA, which states that if a consumer hasn't taken reasonable care of goods on finance, the finance provider can make a charge for this. And here, the V5C wasn't received when the car was collected, so was returned without it.

Our investigator thought it fair that BMWFS charge for this, as the VT quote of 22 October 2024 states: "If we have not received your V5C by the date your vehicle is due to be collected, you will be invoiced £100.00 for the loss in value of us selling a vehicle without a V5C". And, Mr R hadn't returned it until 21 November 2024.

Mr R disagreed. In summary, he said:

- when he requested VT, his quote for doing so was £0, which is legally binding. Section 99(2) CCA makes clear that liabilities already accrued remain payable — but

BMWFS confirmed in writing that £0.00 was due. VT was 3 days before the Direct Debit was due, which he cancelled;

- in law, VT does not “pre-suppose” or rely upon any future payments being made. Once notice of termination is given and the consumer has paid at least 50% of the total amount payable, the agreement ends immediately — liability ceases other than for reasonable wear, tear, and mileage (as per sections 99–100 of the Consumer Credit Act 1974);
- he’s previously VT’d an agreement, and this didn’t happen; and
- he’s sent proof of returning the V5C, and it’s due to the post or BMWFS’ systems that it wasn’t received.

The complaint’s now been passed to me.

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’m not upholding it. I know this will be disappointing, but I’ll explain why.

In order for a consumer to VT a finance agreement, half of the total sum due under the agreement would need to be paid. In this case, Mr R had paid more than half, which is why his quote for VT stated £0.00 – because he didn’t need to make extra payments to get to the halfway mark. But that doesn’t mean that sums that have accrued up until the VT takes place aren’t due, and the legislation makes this clear. And it is also fair and reasonable that Mr R pays for the period he has use of the car. Here, Mr R reasonably needed to pay for the October when he had the car.

Accordingly, as Mr R had cancelled the direct debit and didn’t make the payment, I’m satisfied it was outstanding. And BMWFS had contacted him to make him aware of that. So, I think it reasonable that it reported this to the credit reference agencies when it still wasn’t paid.

I’m aware that Mr R has explained he’s been in this situation before, and didn’t have to make a comparable payment. But I can only comment on this particular case, and I’m satisfied a payment was due.

As regards the V5C, BMWFS had made it clear in advance that it needed to be returned at the same time as the car, or there would be a £100 charge. This is to reflect that BMWFS would need to replace it, or the value of the car would be diminished at resale. As Mr R didn’t send the V5C until later (whether it was received or not), I think the charge was fair, and it seems to me a proportionate sum.

My final decision

For the reasons given above, it’s my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr R to accept or reject my decision before 16 March 2026.

Elsbeth Wood

Ombudsman