DRN-5952035

The complaint

Mrs L complains that Arval UK Limited has asked her to repay an unfair amount to settle a regulated hire agreement after the car was written off by her insurer.

What happened

In April 2023, Mrs L entered into a regulated hire agreement with Arval for the hire of a car. The hire period was for 24 months. Mrs L was required to pay an initial payment of £1,078.06, followed by 23 monthly payments of £359.35.

In around May 2024 the car was written off by Mrs L's insurer. The insurer valued the car at £19,700 and paid this to Arval. Arval then notified Mrs L that there was a shortfall of £6,449.61 in settling the hire agreement and Mrs L would need to pay this amount.

Mrs L complained about the amount she was being asked to repay. She said that she didn't think the shortfall fairly reflected the value of the car, and therefore Arval's loss.

Arval didn't agree it had acted unfairly and said that it calculated the car's value to be £26,119.61, which was not necessarily the same as the market value of the car, which her insurer had used. It said it used the "written down value" which was a valuation it set internally. It said in calculating the written down value it took into account anticipated depreciation, residual value and the rentals Mrs L had paid.

I sent Mrs L and Arval my provisional decision on 21 October 2025. I explained why I was planning to uphold the complaint. I said:

> *Arval maintains that it does not profit from situations where the car is written off and that its valuation of the car is fair. However, having carefully reviewed the specific circumstances of this case here, I don't agree with either statement in relation to Mrs L's complaint.*
>
> *I say this because it seems very clear to me that Arval has profited quite considerably at Mrs L's expense in this case in the way that it has chosen to try and seek settlement of the hire agreement. The car was written off in around May 2024. At this point Mrs L had paid the initial rental and 13 further monthly payments, meaning she had paid a total of £5,749.61.*
>
> *But Arval also received £19,700 from the insurer for the car. There appears to be no dispute that this was broadly the market value for the car. I've also seen this to be the case by reviewing data using independent car valuation tools.*
>
> *Arval therefore received a total of £25,449.61 when the hire agreement came to an end due to the insurance write off.*
>
> *Had the hire agreement ran to full term, Mrs L would have been required to pay a further 10 monthly repayments totalling an additional £3,593.50 (£9,343.11 in total from all the repayments over the full 24 month term). I've also used the same third*

party valuation tool to show what the market value of the car would have likely been had it run to term and had Mrs L continued to cover similar mileage in the car to what she had done up until May 2024.

The valuation of the car was around £15,700. Arval also provided Mrs L with an end of contract market valuation of a similar amount, so I'm satisfied this is broadly accurate and fair value for the car had the agreement ran to term.

Had the hire agreement ran to the full term, Arval would therefore have received a total of around £25,043.11 (all the monthly repayments, plus a car worth around £15,700). The difference between the two situations is roughly the equivalent of one monthly repayment under the hire agreement terms and this is because it includes the May 2024 payment Mrs L made. If that were deducted, then Arval would have received broadly the same amount back as if the agreement had ran to term.

For Arval to therefore suggest it hasn't profited by the car being an insurance write off and that it is still out of pocket by over £6,000 I find to be both unrealistic and unreasonable.

Arval has said that it uses a "written down value" rather than the market value and that this is set out in the terms of the hire agreement. Notwithstanding that I consider the specific term of the hire agreement to be ambiguous as to exactly how any valuation will be calculated (and therefore it could be argued that the term itself might be unfair), ultimately, I don't think the amount Arval is seeking is fair and reasonable in all the circumstances of this case.

This is because the amount it is seeking is far in excess of what it would have received had the agreement ran to term as originally expected. It hasn't provided any clear explanation despite repeated requests from this service as to how the written down value it arrived at demonstrates that it isn't profiting from the car being written off in Mrs L's case.

Instead, Arval has simply repeated the same few sentences in response which don't provide any clarity. The figures I've provided above I think clearly demonstrate that the additional charge it was seeking to apply in this case was unfair and unreasonable as it would result in Mrs L effectively paying a penalty of over £6,000 just because the car was written off.

To put things right, I think Arval should end the hire agreement if it hasn't already and ensure no further sums are owed. Had Mrs L only made payments up to and including the April 2024 repayment (covering the period of hire until the car was written off) then Arval would have received broadly the same amount as it would have done had the agreement ran to term. I therefore think it would be fair for this to be the extent of Mrs L's liability towards the hire agreement.

I think Arval should refund any additional payments Mrs L has made towards the hire agreement from and including May 2024 onwards. As Mrs L has been unfairly deprived of using those funds elsewhere, it should also add 8% simple interest per year to each refund from the date of each payment to the date of settlement.

Lastly, if Arval has recorded any adverse information in relation to the hire agreement on Mrs L's credit file from May 2025 (inclusive) onwards because the shortfall it was seeking wasn't repaid on time, those adverse records should be removed. This is because it isn't a fair or accurate reflection of Mrs L's ability to repay sums that were fairly due to be repaid.

Mrs L responded to say that she felt the redress I had proposed would still mean she had paid over £2,500 more than she should have as it didn't appear to take account of the £6,449.61 she paid to settle the agreement.

Arval accepted my provisional decision in part. It said it received the payment from the insurer on 23 May 2024 and therefore it would agree to refund any rentals charged from that day forwards. This means the refund for the May 2024 payment would be £215.61 instead. It also provided a further explanation of how it had calculated its written down value for the car.

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 conclusion I reached in my provisional decision and for broadly the same reasons.

Arval has provided further calculations and an explanation of how its written down valuation was arrived at and calculated throughout the life of the hire agreement. However, I'm not persuaded this further information makes any difference to the overall outcome I reached in my provisional decision.

This is because it still fails to demonstrate how it was fair in the specific circumstances of this case for Arval to charge over £6,000 more to Mrs L in a situation where the car was written off compared to if it hadn't been.

The written down value appears to have been entirely irrelevant in a scenario where the agreement ran to term as Arval was prepared to accept market value for the car at that point. If Arval was prepared to accept market value for the car at the end of the agreement, I don't see why it would be unfair or unreasonable for it to have done so where the agreement terminated earlier. It hasn't provided any satisfactory explanation to persuade me that it is fair or reasonable for Arval to apply the written down value when it resulted in Mrs L owing substantially more than she would have done had the agreement ran to term.

While Arval contends that it would incur a loss if it didn't charge the written down value to Mrs L, I can't see any merit in that argument. This is because it was prepared to accept far less than the written down value at the end of the contract term. The redress I set out in my provisional decision means Arval would still receive broadly the same amount it would have done had the agreement run to term as it expected. Arval hasn't provided any persuasive argument as to why that is an inaccurate conclusion to reach.

There appears to have been some confusion from both Mrs L and Arval in relation to the shortfall figure of £6,449.61 and how this should be treated as part of the redress I proposed in my provisional decision. To be clear, I consider the payment of £6,449.61 to be included in the overall calculation of all payments Mrs L made towards the hire agreement. I think it would be fair for any payments (including that additional £6,449.61) that Mrs L has made to Arval to discharge her liability under the hire agreement after the car was written off to be refunded to her. Arval should also be adding 8% simple interest per year to those refunds from the date each payment was originally made by Mrs L to the date of settlement.

I do however agree with Arval that it should be entitled to charge rentals up to the point at which the insurer paid them. This means I think it's fair it can retain a proportion of the May 2024 rental to account for the number of days until the insurance payment was received. Further, I understand there was a £30 fee added in the event of an insurance write off and as this would always have been due in these circumstances, it is fair for Arval to

retain that fee too from any refund it provides.

For the avoidance of doubt, this means Mrs L should be receiving a refund for the entire amount of £6,449.61, plus her May 2024 rental payment (plus any other payments she might have made to Arval, if applicable, that haven't already been refunded), less the £30 fee and a pro-rated daily hire charge for the period in May 2024 up to the point at which the insurance payment was received by Arval.

For the reasons I gave in my provisional decision, I'm satisfied this redress ensures that Mrs L is placed broadly in the same position she would have been in (in terms of her liability towards the hire agreement) as she would have been in had the hire agreement ran to term. I'm persuaded it would be unfair and unreasonable to allow Arval to retain the payments I've suggested should be refunded because it would otherwise (in the specific circumstances of this case) place an unfair financial penalty on Mrs L just because the car was written off.

This is particularly the case here where Arval insists that it does not (nor does it intend to) profit from scenarios where a car is written off. Clearly, in this case, the car being written off resulted in Arval receiving over £6,000 more from Mrs L than it otherwise would have done and that, in my view, is unfair for the reasons I've set out here and in my provisional decision.

My final decision

For the reasons given above, I uphold this complaint and direct Arval UK Limited to:

- End the hire agreement if it hasn't already to ensure no further sums are due.
- Refund any payments Mrs L has made towards the hire agreement from 23 May 2024 onwards. This includes any payments Mrs L has made to Arval in order to discharge her liability under the hire agreement, including the additional charge of £6,449.61.
- Arval can deduct £30 from any refund to account for the fee it would always have charged due to the car being written off. It can also deduct a pro-rated amount from the May 2024 rental Mrs L paid to account for the number of days the car remained on hire prior to the insurance payment being received.
- Arval should add 8% simple interest per year to each refund calculated from the date each payment was originally made by Mrs L to the date of settlement.
- Ensure any adverse information is removed from Mrs L's credit file (if relevant) that might have been reported after May 2024 (inclusive).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 12 December 2025.

Tero Hiltunen
Ombudsman