

The complaint

Mr K says MI Vehicle Finance Limited (MI Vehicle) have been unreasonable not to allow him to refinance a balloon payment.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr K took receipt of a car in April 2021 and financed the deal through a hire purchase agreement with MI Vehicle. At the end of the 48-month agreement he had options to return the car or make a 'balloon payment' to take ownership of the car. Mr K couldn't afford the sizeable balloon payment but asked MI Vehicle to allow him to refinance that payment and pay it off in instalments. He was upset when MI Vehicle rejected that proposal. He said they had caused him distress and inconvenience by threatening to take the car back and that they were in breach of Financial Conduct Authority (FCA) Rules and Principles, the Equality Act 2010, the Protection from Harassment Act 1997, and Article 8 of the Human Rights Act 1998.

MI Vehicle explained that they had decided not to lend to Mr K because they didn't believe he could afford it and when Mr K referred his complaint to this service our investigator didn't think MI Vehicle had done anything wrong.

Mr K asked for a decision by an ombudsman.

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.

I agree with the investigator's view of this complaint and for broadly the same reasons. I'll explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mr K acquired his car under a hire purchase agreement, which is a regulated consumer credit agreement. This means our service is able to consider complaints about it.

Only a court can decide if a business has breached the Equality Act 2010, the Protection from Harassment Act 1997, and Article 8 of the Human Rights Act 1998, but I am able to consider whether MI Vehicle have been fair and reasonable when taking the approach they

have and I take into account their FCA obligations when doing so.

At the end of the finance agreement Mr K had the option to pay a balloon payment in order to take ownership of the car. There was no option to refinance that balloon payment. Although MI Vehicle may have allowed refinancing, it was not a contractual right.

MI Vehicle have an obligation to ensure that they don't lend irresponsibly and that consumers are able to repay what they owe without undue difficulty.

The FCA Rules require businesses like MI Vehicle to treat customers who are vulnerable fairly (CONC 7.2.1R) and to show forbearance to customers approaching arrears (CONC 7.3.4R). The FCA Consumer Duty requires businesses to avoid causing foreseeable harm. But I think MI Vehicle have had these Rules and Duty in mind when they've made the decision not to allow Mr K further credit when the evidence they had suggested he wouldn't be able to afford the credit without undue difficulty. To approve credit in those circumstances would have been likely to cause harm to Mr K and to have plunged him into financial difficulties; it wouldn't have been fair to have done that and to have worsened his vulnerability.

I have a great deal of sympathy for Mr K, and I thank him for sharing his personal difficulties with us so that I could gain a better understanding of the problems he faces. But having considered all of the evidence here, and for the reasons I've already given, I can't say MI Vehicle have been unreasonable and I'm not asking them to take any action.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 30 December 2025.

Phillip McMahon
Ombudsman