

## The complaint

Miss C complains about the way Toyota Financial Services (UK) PLC (“TFS”) handled the voluntary termination of her agreement.

## What happened

In December 2021, Miss C acquired a used car using a hire purchase agreement with TFS. The car was five years old, the cash price of the car recorded on the agreement was £9,707.50, the agreement was for 60 months, made up of regular, monthly repayments of £184.54. The deposit payment recorded on the agreement was £724.22. The mileage recorded on the agreement for the car was 40,308 miles.

Towards the end of 2023, Miss C started to experience financial difficulty and contacted TFS in January 2024, informing them that she was unable to make her scheduled payment. Miss C discussed her options with TFS and chose to voluntarily terminate her agreement and sent the relevant documents to TFS around mid-January 2024. The car was collected towards the end of February 2024.

Miss C said she contacted TFS in February and March 2024, and among other things, asked for confirmation of what she owed them. Miss C said she didn’t hear back from TFS until November 2024, at which point she said she was told she owed TFS around £2,100.

Miss C complained to TFS. She said she had been told in January 2024 that she wouldn’t owe more than £1,000, if she could provide documents to show the car had been serviced and had its MOT completed.

TFS explained that the figure they quoted in January 2024 assumed that the scheduled payment for that month would be made. But as it hadn’t, the amount Miss C owed had increased.

In early 2025, Miss C agreed for her account to be passed to a third-party debt collection agency to support her in paying the outstanding balance back in a more affordable way.

TFS issued their final response to Miss C in April 2025, in which they partially upheld her complaint. In summary, they maintained that the outstanding balance they had calculated Miss C should pay was correct, and they confirmed that no additional charges had been added in relation to any damage or any services and so, no further evidence was required about the servicing and condition of the car. TFS acknowledged that it had taken them too long to confirm the amount owed to Miss C. So, they offered Miss C £100 in recognition of this.

Unhappy with TFS’s response, Miss C referred her complaint to our service in May 2025.

Our investigator found that the amount Miss C owed had been calculated correctly and in line with the terms and conditions she had agreed to. And the investigator thought it was fair and reasonable that TFS pay Miss C a further £150, in addition to the £100 they had already offered, to reflect the impact the delays in communicating with her caused.

TFS accepted the investigator's findings. Miss C disagreed. Among other things, Miss C didn't think the amount of compensation the investigator asked TFS to pay was enough. And Miss C thought a fairer resolution was for the amount outstanding to be waived as well as a refund of the money she has paid towards her agreement. As Miss C disagreed, the complaint was 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'm upholding this complaint and I'll explain why below. I'm aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Miss C complains about a car supplied to her under a hire purchase agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Miss C's complaint about TFS.

In paying her monthly repayments to TFS, the hire purchase agreement allowed Miss C use of the car for the duration of the agreement. She also had the option to purchase the car outright at the end of the agreement in exchange for the final payment of £184.54, including a £1 purchase fee. While Miss C was entitled to use of the car, that use was subject to certain conditions, such as maintaining and taking care of the car and only driving a maximum mileage each year and overall, throughout the lifetime of the agreement. The agreement set out what would happen should Miss C not meet those requirements.

Miss C exercised her right to voluntary terminate the agreement. In some instances, voluntary termination allows the hirer to simply hand back the car without having to pay anything more. But this is dependent on, amongst other things, how much has been paid to the agreement, whether there are arrears to be paid, the condition of the car and whether any excess mileage or other charges are due.

The Consumer Credit Act 1974 ("CCA") sets out the rights consumers have to voluntary terminate their hire purchase agreements and the liability that is due on termination. The "*Termination: Your Rights*" section of Miss C's hire purchase agreement also refers to the liability that is due on termination and in her case, that was £5,898.81. The section says:

*"You have the right to end this Agreement. To do so, you should write to the person you make payments to. They will then be entitled to the return of the Goods and to half the total amount payable under this agreement that is £5,898.81. If you have already paid at least this amount plus any overdue instalments and have taken reasonable care of the Goods, you will not have to pay anymore."*

Having read all the terms of the agreement as a whole, I don't think the agreement is either unclear or misleading concerning what Miss C would need to pay for voluntary termination. And that if Miss C hadn't paid at least half of the total amount payable under the agreement, then she would need to bring her contributions up to at least that amount should she wish to voluntarily terminate.

Our service has been provided a statement of account between Miss C and TFS, which summarises all the transactions between them. At the time Miss C chose to voluntarily terminate her car, she had paid around £3,750 towards the agreement. So, she needed to pay around a further £2,100 to reach the half waypoint, which is broadly around the amount TFS says is outstanding for Miss C to pay.

While I appreciate Miss C says she was told that her outstanding balance she would need to pay would be no more than £1,000, I haven't seen any evidence to support what she said she was told. So overall, I'm not persuaded TFS has acted unfairly or unreasonably towards Miss C in seeking the outstanding balance from her.

While I accept there is an outstanding balance left to pay by Miss C, I'm mindful here that several months passed before she was informed of her outstanding balance. And while I appreciate TFS had informed Miss C that they needed to wait until the car had been sold at auction, and Miss C had stopped inquiring about the outstanding balance in March 2024, I still think TFS acted unfairly by waiting for several months to pass before they gave her a confirmed outstanding balance owed. Miss C was informed of the outstanding balance weeks before the festive break, at a time which I can imagine would be stressful for an individual who has said was struggling financially. Miss C has also explained the impact this issue has had on her mental health.

Considering the above, I'm satisfied TFS should pay Miss C an additional £150 to what they already offered (so, £250 in total), to reflect the distress and inconvenience this complaint had caused her.

And while I accept TFS had made a mistake here in the way they communicated with Miss C and informed her of her outstanding balance, their mistake doesn't necessarily mean that it absolves Miss C of having to pay back what is owed under the agreement. So, it doesn't follow that TFS should waive the outstanding balance owed, or a portion of it, because they didn't provide the service they should have done to Miss C.

### **My final decision**

For the reasons I've explained, I uphold this complaint and I instruct Toyota Financial Services (UK) PLC to put things right by paying Miss C £150, in addition to the £100 they had already offered, to reflect the distress and inconvenience caused. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 7 January 2026.

Ronesh Amin  
**Ombudsman**