

The complaint

Miss J complains that she's been asked to pay for vehicle excise duty for her car supplied under a hire agreement by Tesla Financial Services Limited ("Tesla").

What happened

Miss J has been represented in bringing this case to our service, but for simplicity, I will only refer to Miss J.

Miss J entered into a hire agreement in December 2024 for the supply of a car. The agreement was for around three years. In April 2025, new vehicle excise duty (VED) tax was introduced for electric vehicles of £195 per annum, and at some point after this, Tesla contacted Miss J to say she would have to reimburse them for this charge that they would pay.

Miss J disagreed and raised a complaint with Tesla. She said it wasn't mentioned in her agreement that she would have to pay this. She's also told us she specifically asked this before entering the agreement, as she was aware the tax was being introduced.

Tesla issued a final response letter (FRL) in August 2025 and didn't uphold the complaint. They said that the tax had been introduced since the agreement was taken out hence it wasn't explicitly referenced in the agreement but would still be due.

It had already been several weeks since the complaint was raised with Tesla, so the case had already been referred to our service for investigation. The investigator initially issued an opinion that this was fair and didn't uphold the complaint. They referenced a clause in the terms and conditions which Tesla had quoted which meant that Miss J had to pay this VED.

Miss J didn't agree, and eventually, after further conversations between Tesla and our service, it transpired that the relevant clause in the terms and conditions was only in later contracts and wasn't in Miss J's contract from December 2024. Tesla said that Miss J should still have to meet the VED charge because it is alluded to in other clauses, and there was a clause in the purchase order agreement form which talks about purchase price, taxed and official fees.

The investigator updated their opinion to say that it was not fair on this basis to charge Miss J for this VED, and upheld the complaint, instructing Tesla to remove the VED charges from Miss J for the duration of the agreement.

Tesla didn't agree and asked for an Ombudsman to make a final decision. They made reference to another decision from our service as a similar case where the outcome was in their favour, inferring that this was the same issue.

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. Miss J was supplied with a car under a hire agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

We consider each case at our service on its own merits, but I have looked at the decision Tesla asked me to, and which they said is like this case. While I accept its similar, it wasn't exactly the same and was on a slightly different timeframe.

In the same vein, this is a decision very much based on the specifics of this case and not intended to be a precedent or to inform the outcomes on any similar cases. I've considered carefully the specifics here of what was said, what was provided to Miss J, and the timeframe involved, to come to this decision specifically for this case.

I am aware from our conversations with Miss J that this potential issue was something she was aware of up front, and so she has told us she asked the question at the point of order and was told she wouldn't have to pay VED. I can't evidence this other than her testimony however, and it appears to have been comments from a supplying dealership. But for a hire agreement, a consumer can't rely on what is said by a supplying dealership/broker, as Tesla financial services are not responsible under the law for what the supplying dealer says in pre-sale negotiations in the same way as they might be for a different type of finance agreement.

Miss J also provided a screen shot of the ordering process screen from the Tesla webpage/app, which states road fund license is included in the agreement. I can't be sure when this screen shot is from however, but it does show me that VED was explicitly included at some point. This would also tie in with her telling us she'd been aware of this potential issue when ordering the car, if she'd taken the time to screen shot the page.

To make a fair decision here, I've weighed up the evidence I can corroborate and considered industry practice. It wouldn't be the case that consumers are always expected to pay for VED on hire agreements. While there is no standard arrangement across businesses, often VED is something paid for by the leasing company or more likely factored in within the normal payments charged and isn't an extra that a consumer pays. So, I don't think Tesla can rely on an assumption that once VED applies to the car, it would automatically be expected for a consumer to pay for it.

In their FRL, Tesla didn't say why it was payable by the consumer, they simply said the tax had been introduced since the agreement started, so Miss J now had to pay it, and focused on her options for how to pay it.

When our service investigated the complaint, Tesla referenced clause 3.8 in the agreement and told us that this said that those leasing the car must promptly pay all fees, duties, fines and taxes in respect of the vehicle. However, Miss J pointed out that Clause 3.8 in her contract didn't say this, and Tesla went on to accept this and confirm that this clause hadn't been included in her contract, and it seems was only introduced later on to their contracts.

Tesla then said that the order agreement did allude to the fact that the consumer was responsible for post purchase taxes tied to registration. But this document firstly doesn't form part of the finance agreement itself and secondly this clause isn't to do with VED on a hire agreement, it's about purchase taxes.

It's clear when reading the whole clause in this document, that it relates to taxes payable at the point of purchase, indeed it goes on to say these taxes and charges will be calculated closer to the time of delivery and indicated on the final invoice. This isn't relevant to what's happened here.

Finally, I've looked at the finance agreement and its terms and conditions as provided to Miss J, to see if any of the terms make me think that Tesla are entitled to charge the VED back to the consumer. There are no explicit terms about this as I'd expect, but I've considered whether any terms might fairly capture the issue.

The original clause 3.8 before the update to mention VED wouldn't be relevant, as it talks about having to pay Tesla all expenses and costs incurred as a direct result of failure to comply with the agreement, referencing clause 7.3 which is about bankruptcy or insolvency. It then goes on in Clause 3.9 to reference reimbursing for all costs and expenses in relation to clause 3.2, which is about keeping the car in good and serviceable condition. These clauses aren't relevant to Miss J's issue which is simply about who pays for VED.

I've checked the remaining clauses in the contract and am not persuaded anything would say or even allude to VED charges being passed on to a consumer if they change. Clause 2.1 states the consumer will pay the rentals including any VAT or similar tax, but I am satisfied this relates to the monthly rentals and any tax which may apply to them and wouldn't include VED.

Clause 12.10 says Tesla can make "reasonable changes" to the agreement including to reflect changes in law or regulation, but I'm not persuaded this change is "reasonable" in these specific circumstances where Miss J appears to have tried to clarify the position regarding VED before ordering the car.

And finally, I think the fact that Tesla have gone on to change the terms and conditions to explicitly confirm who must pay taxes like VED suggests that they don't feel that the original contract as agreed with Miss J allows them to make this charge, so they've updated the contract to be more explicit now.

On this basis, I am upholding this complaint. In the last few weeks, I note Miss J has contacted us to say she's tried to not pay the VED charge when Tesla tried to take payment for it via direct debit, and this has caused late payment fees and further complications with her direct debit payments. I'd hope that Tesla will now correct the issues here at no detriment to Miss J and instruct them below to ensure her credit file isn't impacted by this issue and any charges raised in relation to this payment are written off.

Putting things right

I instruct Tesla to carry out the following to put things right here:

- remove/refund/write off (as required) charges raised for standard VED from Miss J's account for 2025 and future years.
- Remove any adverse information from Miss J's credit file in relation to the request for payment of VED amounts.
- Refund/write off any charges for late payment relating to a VED direct debit.

My final decision

I am upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 19 March 2026.

Paul Cronin
Ombudsman