

The complaint

Mr C says Arval UK Limited ('Arval') were unreasonable to pass on a Vehicle Excise Duty (VED) increase to him.

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 C entered into a hire agreement with Arval in September 2023 to fund the provision of a car.

In August 2025 Arval asked him to pay £126 as the VED had increased for the car. He said he entered into the agreement on the understanding that the monthly cost was fixed and included the VED, had he known there would be an increase he wouldn't have continued with the deal. He said the value of the car was less than £40,000 when he ordered it and Arval were therefore unreasonable to classify it as higher than that and subject to a luxury car surcharge. He explained that Arval had refunded him to cover the increase in road VED in September 2024 and that they should do so again.

Arval thought they had been fair to pass on the charge and our investigator agreed that the terms of the agreement allowed it. As Mr C continued to dispute the charge, his complaint has been referred to me, an ombudsman, to make a decision.

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.

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 C referred a complaint to this service about the increase in VED that he was notified about in May 2024. Within that complaint I can see that there was a consideration of whether the £40,000 threshold had been crossed. I don't think Mr C has provided any new evidence about that particular issue that would affect the outcome, so I won't be reconsidering that matter here.

I will, however, consider Mr C's complaint about the new invoice for £126 that he was asked to pay in August 2025.

The terms of the finance agreement Mr C signed said:

'We will pay the cost of the annual vehicle tax for the vehicle. This cost is included in the amount of the rentals using the cost applying on the date of this agreement. If this cost changes at any time from when you order the vehicle from us or while you have the vehicle, we will reimburse you the reduced cost if the cost of the annual vehicle tax reduces, and you will pay us on demand the extra amount if it increases'

The terms simply explained that if the annual VED changed Arval would pass on the increase, they didn't develop under what circumstances the VED would change and I'm therefore persuaded that when the VED changed as a result of the car's reclassification, Arval were reasonable to pass on that charge in August 2025. The fact they had agreed to refund the charge in the past is not a reason they need to refund it again where, as I'm persuaded is the case here, there has been an increase in the VED that the terms of the agreement allow them to pass on.

Mr C has referred me to several legal cases that he believes support his complaint. However, he hasn't explained how he thinks those cases apply here. The cases he mentioned generally deal with whether contractual terms are fair—particularly when consumers face unexpected costs. As I've already explained, I'm not reconsidering the issue of whether the £40,000 threshold was correctly applied. And based on the information I've seen, I don't consider a court would consider the terms allowing Arval to pass on VED increases to be unfair. It seems reasonable for a business to pass on VED increases that are outside of its control.

I'm not upholding this complaint.

I understand Mr C is unhappy about the credit reports Arval may have made. This service is only fairly able to consider complaints after the business has been allowed to. Mr C will therefore need to refer that complaint to Arval in the first instance but if he continues to be dissatisfied with their response, they will give him rights to escalate his complaint to this service.

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 C to accept or reject my decision before 5 March 2026.

Phillip McMahon
Ombudsman