

The complaint

Mr K is unhappy with how arrears under a fixed sum loan agreement were dealt with by Volvo Car Financial Services UK Limited (Volvo).

When I refer to what Mr K has said and what Volvo have said, it should also be taken to include things said on their behalf.

What happened

On 14 January 2022 Mr K purchased a used car via a fixed sum loan agreement with Volvo. The price of the car was £23,919. Mr K paid an advanced payment of £6,500 followed by 60 monthly payments of £342.38.

Mr K experienced payment difficulties and entered into a six month payment plan with a debt collection agency (working on behalf of Volvo). These arrears cleared in late 2024 according to the notes attached to the case file. These notes also show that no payment was received in December 2024, causing a late fee of £35 to be charged. Throughout 2025 Mr K's account was subject to a number of late payment fees. Mr K was unsure as to why an arrears of £35 had been added to his account, he queried this on several occasions with Volvo. Mr K did not feel that he had received a satisfactory response so he complained.

On 21 August 2025 Volvo issued their response to Mr K's complaint. Their understanding of the complaint related to the fact that Mr K was unsatisfied that they would only waive two of the late payment fees. They did not uphold his complaint as the fees had been correctly charged to multiple missed monthly payments.

As this did not adequately address Mr K's complaint as to where the original £35 arrears had come from, Mr K complained to us.

On 19th December 2025 our investigator issued their view of the complaint. They upheld Mr K's complaint. They felt that Volvo's response hadn't answered his query as to why his account was showing arrears since he had repaid them as part of his repayment plan. The investigator did not feel that Mr K should be negatively impacted because of this. In upholding the complaint they felt that Volvo should allow Mr K to repay the arrears, remove all late fees and markers, and pay £200 as compensation.

Volvo confirmed that they did not agree with the investigators view. They are reporting a true reflection of Mr K's agreement. Since leaving the debt plan Mr K had paid late on occasions and the December 2025 payment had not been paid on time.

As Volvo did not agree it has been passed to me to consider.

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.

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.

Mr K was supplied with a vehicle under a fixed sum loan agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

I need to consider two things in this case. Firstly, whether the arrears charges have been correctly applied by Volvo in this case. Secondly, have Volvo otherwise treated Mr K fairly.

The agreement that Mr K entered into contains the clauses below (amongst others relating to additional costs that may be payable):

4.1 If you fail to pay any sum due on time we will charge daily interest on that sum at the rate of interest shown on the front page of the agreement from the due date for payment until actual payment. The daily interest will apply both before and after any court judgment we may obtain against you and will survive after termination.

4.2 The following additional default charges will apply:

4.2.1 £35 when your payment is made late and for every subsequent month that your agreement remains in arrears, limited to 3 in any single default period

Other relevant terms:

2.2 (Includes) Punctual Payment of each repayment on the due date is a key term of this agreement

In a box by the signature box is the following statement: *Missing repayments could have severe consequence and make obtaining credit more difficult.*

In terms of payment, I understand that £35 fee stems from a missed payment in December 2024. I can see from the account that Mr K made a payment on 19 November 2024 but the next payment was not until 14 January 2025.

Since then, I can see that Mr K's payments have been due on the 14 of the month. All payments from 14 January 2025 until 14 November 2025 (the last date on the statement of account) have been paid on time except for the May payment which was paid on 21 May 2025. I can see that each month a £12 monthly arrears charge has been added, albeit some of them have been cancelled. These charges would seem to emanate from the missed December 2024 payment.

I am content that the additional fees and charges are in line with the terms of the contract.

The second question is whether Volvo have treated Mr K fairly. They have provided a comprehensive file and notes. I can see all charges have been applied in accordance with the terms of the agreement. They entered into a payment plan with Mr K when he had difficulty in spring 2024, so they have supported him appropriately with these difficulties. They have also waived a number of late payment fees. Their communication has been prompt.

I can see from the file that when Mr K moved from the payment plan, administered by the collection agent, back to the normal payment plan a payment was missed in December 2024. This is where the arrears and additional £35 charge relates to.

The case notes show a conversation between Mr K and Volvo on 23 December 2024. Mr K queried why there were arrears on his account as he felt that he had paid the arrears. The agent offered to send Mr K a statement of account so that he could see where they arose from and Mr K could call back. The financial arrears were £38.86 according to the file notes at this point. I cannot see from the case file evidence of a statement of account being sent as a result of this conversation.

On 25 February 2025 the case file shows an arrears notice being generated. The case file further shows that on 26 February 2026 the monthly arrears fee being cancelled as issued in error. On the same date a statement of account was sent to Mr K.

I can understand why Mr K felt that he had paid off the arrears when he left the payment plan. I can see that he has tried to understand where the arrears and charges have come from before he paid them down. I can see that Volvo offered to send him a statement of account in December 2024 but, according to the case file, one wasn't sent until 26 February 2025.

When Mr K formally raised his complaint with Volvo they failed to adequately answer his question as to where the arrears had come from.

The investigator's view is that Mr K should not be negatively impacted because Volvo did not explain what has caused the arrears. Volvo have raised the point in their response to the investigator's view that to remove the markers from Mr K's file would not be a true reflection of his payments. They also point out that Mr K had paid late on occasions since exiting the debt repayment plan. On 17 December 2025 they confirmed that Mr K's account was in arrears to the tune of £381.24.

There is a difficult balance in ensuring that Mr K has not been disadvantaged by the error made by Volvo but also his credit file being a true reflection. The error by Volvo specifically related to not explaining clearly to Mr K where the £35 outstanding late fee had come from. In terms of missed or late monthly payments I can see from the file that Volvo have dealt with these correctly in terms of applying late fees. However Volvo have failed to adequately explain to Mr K where the additional late fee came from. I am content that had they done so he would have paid the outstanding amount, given that the arrears as shown on the case file were only £38.86 in late December 2024. I therefore uphold this complaint.

Mr K should not have any negative markers or late fees levied against him where the arrears relate to the missed December 2024 payment and the outstanding £35 arrears charge. Mr K has clearly been put to some inconvenience and stress in trying to resolve this matter and the £200 compensation suggested by the investigator is in line with other such awards.

Putting things right

I uphold Mr K's complaint against Volvo and to put things right they need to:

- Remove any negative markers and late fees as they relate to the December 2024 payment and associated outstanding £35 late fee.
- Pay to Mr K £200 compensation for the stress and inconvenience caused

My final decision

I uphold this complaint against Volvo Car Financial Services UK Limited. To put things right they are directed to follow the redress as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 April 2026.

Leon Livermore
Ombudsman