

## The complaint

Mr S complains that BMW FINANCIAL SERVICES (GB) LIMITED (BMW) unfairly terminated a hire purchase agreement and intends to repossess a car it supplied to him.

## What happened

I issued a provisional decision setting out what I thought about Mr S' complaint. I've copied the relevant parts of that provisional decision below – and they form part of this final decision.

*“In November 2023, Mr S was supplied with a new car under a hire purchase agreement with BMW. The cash price of the car was £34,589. Mr S made an advance payment of £4,011 and the agreement was for £30,578 to be repaid over 48 months; with 47 monthly payments of £410.38 followed by an optional final payment of £15,771.15.*

*In August 2024 Mr S started missing payments and arrears started to accrue. He contacted BMW and said he was between jobs – but expected to start working again soon. In October 2024 he told BMW he was back in work and wanted to set up a payment plan to clear the arrears. BMW sent an income and expenditure form for Mr S to complete but it didn't hear back from him. During this period, BMW attempted to contact Mr S several times by phone and email without success. He got back in touch in December 2024 to make a manual payment of £410.38.*

*By January 2025, arrears of £2,051.90 had accrued. Around that time BMW carried out a routine check which showed that the car was no longer insured. It issued a default notice on 29 January 2025, requiring Mr S to pay the arrears and send proof of insurance by 18 February 2025. The notice set out that the agreement would be terminated if these requirements weren't met.*

*Mr S called BMW to discuss his circumstances. He explained his insurance had been cancelled in error by his insurer and that he was in the process of setting up a new policy. He said he had just started a new job and was able to resume making payments – and would pay an additional amount to help clear the arrears. It was agreed that Mr S would start making payments from 5 March 2025 – which would comprise of the contractual payment of £410.38 plus an additional £220. He said he hadn't been paid yet so would miss February's payment, and the agent suggested that he cancel the direct debit to prevent it from being taken automatically.*

*The direct debit wasn't cancelled, and the scheduled payment was taken on 17 February 2025 – after two previous attempts. Mr S told BMW he needed the funds back – as he was relying on them to meet other obligations. He said he still intended to start making payments on 5 March 2025 – but losing the funds earlier than that would further affect his finances. He also confirmed that he'd sent details of his new policy. The agent checked the policy details sent by Mr S but said they weren't acceptable – as the policy hadn't been set up in Mr S' name.*

*Mr S explained that the policy was set up for his partner and that he was a named driver.*

*This was because his partner was able to obtain significantly cheaper quotes. He said he'd always set up his insurance this way – and it had never been a problem before. The agent said the terms of the agreement required Mr S to take out cover in his name. Mr S agreed to find cover, but couldn't afford to do so until February's payment had been reversed – which would take a few days. The agent agreed to wait until the end of the week before taking any further action. The payment was reversed by Mr S' bank the following day.*

*By 4 March 2025 BMW hadn't received details of a policy in Mr S' name, and it told him it was terminating the agreement and that he needed to return the car. Mr S made a complaint. He said he relied on the car for work and to support a disabled relative – so being without it would have a significant impact on him. He said he'd taken reasonable steps to comply with BMW's default notice – and that circumstances outside of his control prevented him from providing the required insurance details. He said this would have been avoided if BMW had been clear from the start that the policy needed to be in his name. He offered to clear the arrears in full if this would result in the agreement being reinstated. BMW didn't agree it had made an error, and said it had correctly terminated the agreement as Mr S had failed to satisfy the default on time. It didn't agree to reinstate the agreement, but it offered £100 to recognise the length of time taken to respond to the complaint.*

*The complaint was referred to this service. One of our Investigators considered the complaint but didn't uphold it. They said BMW had acted fairly, as Mr S hadn't been able to demonstrate that the agreement or payment plan were affordable for him. They didn't think the insurance policy was relevant to BMW's decision as Mr S suggested. Mr S didn't agree, and said the termination was a direct result of the confusion around the insurance policies – which was caused by BMW. He asked for the complaint to be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.*

### **What I've provisionally 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.*

*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 decision on the balance of probabilities – what I think is more likely than not 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. Mr S was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means I can consider a complaint about it.*

*Under the terms of the agreement, BMW could decide to terminate it and recover the car in some circumstances if Mr S didn't keep up with his payments or otherwise breached the agreement terms. By the time BMW issued a default notice, arrears had accrued to a significant level. I've considered whether BMW's decision to terminate the agreement was fair and reasonable – taking all of the circumstances into account.*

*Having considered the contact notes and correspondence relevant to this complaint, I think there were two main issues that influenced BMW's decision to terminate the agreement – the arrears and the insurance discrepancy. I'll address each of these in turn.*

**Arrears and financial difficulties**

*When a lender is aware – or ought reasonably to be aware - that a customer may be unable to pay due to a change in circumstances, it ought to take positive steps to treat them fairly by providing appropriate support, forbearance and due consideration. This can involve considering a range of possible options – and lenders should pay due regard to the best interests of their customer when doing so. There aren't any specific steps a lender is required to take, as what is most appropriate will depend on the individual circumstances of the customer.*

*In this case, Mr S told BMW in August 2024 that he couldn't make his regular payments as he wasn't working – but he expected his circumstances to improve soon. By October 2024 Mr S said he was working and wanted to clear the arrears, so an income and expenditure form was issued for BMW to assess his circumstances. It didn't receive the form back – and no payments were made for another two months after that despite several attempts to contact him. Although Mr S made a payment in December 2024, this only accounted for one month of the arrears that had accrued by that point.*

*When Mr S got back in touch and said his circumstances were improving, BMW agreed an affordable payment arrangement. I think this was a reasonable step for it to take – as it allowed Mr S to clear the arrears over a period of around 11 months at a rate which was affordable for him. There was a problem with the payments – as the direct debit due in February 2025 was taken unexpectedly. I've listened to the call where the payment plan was put in place – and I'm satisfied BMW warned Mr S that it would attempt to take this payment automatically and that he needed to cancel the direct debit directly with his bank. Mr S said he understood – and suggested that if he couldn't do this easily he would allow the direct debit to run as normal. So, while I appreciate the payment made Mr S' situation worse, I don't think this was due to an error made by BMW. In any case, this payment was quickly reversed. I also note that during this call, the agent explained to Mr S that the payment plan couldn't start until his insurance documents were received – which I'll address in more detail below.*

*The payment plan was due to start on 5 March 2025 – but the agreement was terminated the day before that. Overall, I'm satisfied BMW took reasonable steps to treat Mr S with forbearance and due consideration, taking his financial circumstances into account. Having said that, I don't think the arrears or Mr S' financial circumstances were the main reason the agreement was terminated. I'll explain why.*

Insurance policy

*By the time BMW issued its default notice, it had been made aware that the car wasn't insured. BMW set out the following in its default notice:*

*“In your agreement under “Insurance of the Vehicle”, you are required to maintain comprehensive insurance cover for the Vehicle. You have breached this clause by failing to maintain comprehensive insurance cover for the Vehicle. To remedy this breach, you must take out and maintain comprehensive insurance for the Vehicles full value and produce a copy of the policy to us before 18 February 2025.”*

*The terms of the agreement set out the following:*

**“Your obligation to insure the vehicle**

*You must take out an maintain comprehensive insurance for the vehicle (in your name) for the duration of the agreement. The credit agreement is therefore not suitable for you if you are disqualified from driving or unable to obtain vehicle insurance for any other reason.”*

*Keeping the car insured was a requirement of the agreement. The car belonged to BMW, and not having correct insurance created a risk that any losses incurred in the event of an accident wouldn't be covered. So, I don't find it unreasonable that BMW required Mr S to take out cover and provide evidence of this to satisfy the default notice – as he was in breach of the agreement terms by not having a policy in place.*

*Mr S did obtain a policy before the deadline set out in the default notice – but it wasn't in his name. He says he's never previously been told that the policy needed to be in his name. He recalls explaining that he intended to take out cover in his partner's name when the agreement was originally sold and was told this was ok, and says he also mentioned this to BMW on other occasions.*

*I've reviewed BMW's contact notes, and I've listened to the relevant phone calls. Having done so, I haven't seen anything to persuade me that Mr S made BMW aware that the car was insured in someone else's name. When discussing the situation in January 2025, Mr S said he would obtain quotes and find cover – and didn't mention that he wouldn't be the main policyholder. But even if Mr S had mentioned this to BMW at some point, I don't think it's likely it would have agreed he could do this. I say this because it's a requirement of the agreement that Mr S has insurance in his own name. BMW's contract was with Mr S – and I don't find it unreasonable that it expected Mr S to have his own cover in place to ensure the car was suitably protected.*

*While Mr S was a named driver on his partner's policy, I don't think this met the criteria set out in the default notice. The notice states "you must take out and maintain comprehensive insurance." I think this is reasonably clear that BMW expected Mr S – not someone else – to obtain cover. While I agree with Mr S that BMW's agent didn't specify to him over the phone that the policy couldn't be in someone else's name, I don't think they needed to explain this – as there was no suggestion on the call that Mr S intended to obtain cover in anyone's name but his. I also note Mr S' point that he has always arranged to insure the car this way and that it's never been a problem before – but I can't see that BMW was aware at any point before February 2025 that Mr S didn't hold his own policy. The information reported to BMW only confirms whether or not the car is insured – not who the policyholder is. I think BMW had a reasonable expectation that Mr S arranged his own cover, as this was a clear requirement of the agreement.*

*Mr S said he wasn't able to obtain cover in his name straight away, as he needed time to cancel the previous policy and obtain a refund before he could afford a new one. BMW allowed Mr S more than two weeks beyond the original deadline set out in the default notice. I find this reasonable in the circumstances. Given the risk of the car not having suitable insurance, I wouldn't have expected BMW to wait any longer than that for Mr S to obtain cover. I'm satisfied Mr S was reasonably on notice that BMW would terminate the agreement if he didn't satisfy the requirements of the default notice. I can also see it attempted to call Mr S before terminating the agreement but wasn't able to reach him. As Mr S was unable to obtain cover in his name within a reasonable timeframe, I don't find BMW's decision to terminate the agreement unreasonable.*

*I have sincere sympathy for Mr S. It's clear he's been through difficult circumstances, and I can understand why the prospect of the car being repossessed would be distressing for him. It's also clear that the situation was caused – in part – by some confusion on Mr S' behalf rather than a deliberate attempt to breach the agreement terms. But for the reasons I've explained, I think BMW treated Mr S fairly here and that it gave him sufficient opportunity to satisfy the default notice before it took the final step of terminating the agreement. BMW has said it's not willing to reinstate the agreement – and I see no contractual grounds to require it to do so.*

*BMW should remember that – if Mr S paid more than a third towards the finance agreement – unless he hands the car back voluntarily it would need a court order to repossess the car. Once the car is returned, I'd suggest BMW work with Mr S to find an affordable payment arrangement for any outstanding balance owed – taking his circumstances into due consideration.*

*Finally, BMW has already made an offer to pay Mr S £100 to settle the complaint which it hasn't yet paid. Mr S should contact BMW directly if he now wishes to accept this."*

## **Responses to my provisional decision**

BMW said it agreed with my provisional decision and had nothing further to add. Mr S provided some additional comments in response to the decision, which I've summarised:

- He didn't refuse, delay or avoid obtaining the necessary insurance, and was actively in the process of resolving the issue when the agreement was terminated. He took reasonable steps to obtain cover as soon as he was aware that he needed to.
- The only obstacle to obtaining cover was administrative and financial timing – as he was relying on the refund from the previous policy to pay for a new one. He gave BMW the relevant timeframe for this but didn't receive any response.
- He'd previously been assured by BMW that it would allow additional time for him to obtain the required policy – and he relied on this assurance.
- BMW should have allowed a short extension, as he was engaging and communicating transparently with it and actively working to meet the requirements. The delay wasn't due to unwillingness or neglect, but practical constraints outside his control.
- Given that the payment plan was due to start the next day, the decision to terminate the agreement was disproportionate. Doing so didn't strike a fair balance between BMW's commercial interests and his position as a customer.

I've now considered Mr S' additional comments and have reached a final decision on the matter.

## **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'd like to thank both parties for responding to my provisional decision. I've considered Mr S' further comments. Having done so, I've reached the same overall conclusions as outlined in my provisional decision – for the same reasons. I'll explain why.

Mr S says he was still engaging with BMW when it terminated the agreement. BMW's contact notes show that he sent an email on 26 February 2025 saying he'd started the process of requesting a refund, and that this would take between three and five working days. BMW responded later that day agreeing an extension until 28 February. I note this was only two days after Mr S' email – and that based on the timeline he'd provided he likely wouldn't have received a refund by then. But BMW waited an additional four days after this before terminating the agreement – so it doesn't appear Mr S was disadvantaged by this. In any case, Mr S was aware that the deadline for him to obtain cover was 18 February 2025 – and it was more than a week after this date when he contacted BMW with an update. BMW could have terminated the agreement after the initial deadline was missed – but I'm satisfied it treated Mr S fairly by allowing more time, and I can't fairly conclude it ought to have agreed

a further extension beyond this.

While I agree there was some engagement, I haven't seen evidence of further contact between the email I've reference above and the date the agreement was terminated. As I've noted, I'm satisfied BMW tried to call Mr S before terminating the agreement without success. Given the length of time already elapsed and the nature of the breach, I think it would have been reasonable for Mr S to contact BMW again if he didn't expect to be able to arrange cover by the revised deadline.

As outlined in my provisional decision, the lack of appropriate insurance left Mr S in breach of the agreement terms and created a risk for BMW. By the time it terminated the agreement it had already allowed two weeks beyond the original deadline – which I consider reasonable. So, while I appreciate Mr S would have liked another extension, I don't think it was unfair for BMW not to agree one. For the same reasons, I don't find BMW's decision to terminate the agreement disproportionate. Ultimately, Mr S was in breach of the agreement terms, and BMW was entitled to terminate the agreement in these circumstances.

So, while I've considered Mr S' comments I see no reason to depart from the conclusions outlined in my provisional decision. It follows that I don't uphold the complaint.

### **My final decision**

My final decision is that I don't uphold Mr S' complaint about BMW FINANCIAL SERVICES (GB) LIMITED.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 February 2026.

Stephen Billings  
**Ombudsman**