DRN-6098977

The complaint

Mr P is unhappy Secure Trust Bank Public Limited Company trading as V12 Vehicle Finance (V12) terminated his hire purchase agreement for a car.

What happened

In August 2024, Mr P took out a hire purchase agreement from V12 to pay for a used car. V12 provided around £18,000 credit for the purchase, and Mr P received a part exchange contribution of £3,000. The car was around 8 years old and had travelled around 46,000 miles when it was supplied to Mr P.

In January 2025, Mr P says the car broke down on the motorway. He called the recovery service who diagnosed a gearbox failure. The recovery service arranged for one if its agents, which I'll call W, to collect the car. Mr P asked W to transport the car to a garage, which I'll call M. When it arrived at M's garage, Mr P was told W had damaged the car in transit and its insurer would need to pay for repairs before the gearbox fault could be investigated further.

Mr P contacted V12 to explain what had happened. He said W's insurer needed to inspect the damage first, before M could repair it under an insurance claim. Mr P then intended to ask the supplying dealership to collect the car and inspect the gearbox fault as part of a claim under the Consumer Rights Act 2015 (CRA 2015).

At the end of January 2025, V12 issued a default notice to Mr P, saying there had been a breach of contract as he had "sold or disposed of the vehicle". Mr P complained, and V12 agreed to put the default process on hold for two weeks and said it would cancel the breach of contract termination once the car was repaired. In March 2025, V12 continued to terminate the agreement.

V12 says it tried to recover the car from M, but M wouldn't release it as a bill for storage and labour fees remained unpaid. V12 says M was directly invoicing it for the fees, and so it considers M was withholding the car. In July 2025, V12 paid the additional costs and recovered the car, going on to sell it at auction. V12 added the additional fees to the total balance Mr P owed for the terminated agreement.

Mr P says V12 unfairly terminated the agreement as he hadn't done anything wrong. He says he wasn't able to claim for a remedy under the CRA because V12 had terminated the agreement unfairly, so he no longer had the car. He said he'd kept V12 updated throughout the problems with the other parties but V12 hadn't supported him with the issue. So he brought the complaint to the Financial Ombudsman.

Our Investigator upheld the complaint, saying V12 hadn't issued Mr P with a valid default notice. She said this meant it was unfair to terminate the agreement in the circumstances. In addition, she considered the potential CRA 2015 claim and said, after considering the circumstances and evidence, she thought it would be likely the claim would have been successful. So, as the additional garage fees were directly stemming from the breach of contract under the CRA 2015, she said V12 ought to be liable for bearing these costs and should pay Mr P compensation for trouble and upset caused.

Mr P accepted these findings, but V12 didn't. It maintained that there had been a valid breach of contract by Mr P, as he had "lost control" of the car. It added that the default notice and termination had been correctly issued. As V12 didn't agree, the complaint has been referred to me for a final 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.

Having done so, I agree with the outcome reached by the Investigator – and I'll explain why.

Mr P has made several detailed points in his complaint. I've considered everything he's said and all the information on the file. But in my decision, I do not intend to refer to everything or address every point made. I mean no discourtesy by this, instead I will focus on what I see as being the key outstanding points following the Investigator's outcome, and the reasons for making my decision.

Also, where the evidence is incomplete, inconclusive or contradictory (as some of it is here), I've reached my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I've considered everything that happened, and I acknowledge this is a complex matter, involving other parties who aren't a part of the complaint. But to keep things as simple as possible, I think there are three key things for me to consider in Mr P's complaint:

1. Was there a breach of contract by V12 when it supplied the car to Mr P?
2. Did V12 fairly terminate the agreement because of a breach of contract by Mr P?
3. Has V12 treated Mr P fairly considering the circumstances of the complaint?

I've explained my rationale for each of these points below.

Mr P's potential claim for a remedy under the CRA 2015

V12 provided Mr P with credit as a hire purchase agreement, a form of regulated consumer credit. Under the terms of the agreement, V12 agreed to supply the car to Mr P. So it was responsible for ensuring that the car was of satisfactory quality at the time of supply. This depends on a number of factors including, but not limited to, the age of the car and mileage, as well as the cost. The CRA 2015 also defines satisfactory quality as including durability, meaning the car and its parts should last a reasonable amount of time, again depending on many factors.

Mr P says the car broke down in January 2025 and the recovery service identified a problem with the gearbox. At the time the car broke down, it was almost 9 years old and had covered around 54,000 miles, meaning Mr P had travelled approximately 7,500 miles since it was supplied.

There's limited evidence to support the cause of the breakdown, as Mr P didn't get the opportunity to take the car to the dealership for investigation. The recovery service provided a report confirming a gearbox failure on the motorway preventing the car from being drivable.

There's no suggestion or evidence from any of the parties that the fault with the gearbox was caused by something Mr P did wrong or was general wear and tear. I've considered the age and mileage of the car, and the time since it was supplied to Mr P, and I think there are concerns the car supplied wasn't of satisfactory quality. In particular, I have concerns about the durability of the components in the gearbox that led to it failing at this point in the car's lifetime.

If further investigation had taken place and concluded the car wasn't of satisfactory quality, V12 would have been liable to provide Mr P with a remedy. I also think it's reasonable to conclude the events that followed directly stem from the breach of contract by V12: if the car hadn't broken down, it wouldn't have been damaged by W and need repairs by M.

The default and termination

In any event, I also have concerns about V12's decision to issue a default notice and subsequently terminate the agreement.

V12 issued a default notice in March 2025 with the breach of contract listed as "selling or disposing of the vehicle". It says this was because Mr P had told V12 he didn't know where the car was when he reported the incident in January 2025.

Mr P didn't have possession of the vehicle from January 2025, but this was only because he was arranging repairs for both the accident damage and the gearbox issue. I've noted the agreement terms state:

> ***4. Selling or disposing of the Vehicle***
>
> *… You may only part with the Vehicle to have it repaired.*

I think Mr P had only left the car with M to have it repaired, and as such, hadn't breached the terms of the contract with V12. Mr P says he initially told V12 he didn't know the location of the car because it was being transported by W – I don't agree this was a fair reason to default him. I've also seen evidence from W's insurer confirming there was a delay settling the claim for the damage repairs, and so I'm persuaded Mr P wasn't responsible for the time it was taking to repair the car.

V12's default notice was issued on the grounds that Mr P had breached the contract by "selling or disposing of the vehicle" – and I don't find this an accurate description of what happened. Section 87 of the Consumer Credit Act 1974 states a default notice is only valid if it accurately reflects the breach of contract and gives the consumer at least 14 days' notice to remedy it. I'm satisfied the breach of contract listed on V12's default notice wasn't accurate, and as such, the default notice itself was invalid.

V12 says that despite the default notice, it was fair to terminate the agreement because Mr P had also "lost control" of the car. It says M contacted V12 in March 2025 asking it to pay for the storage fees and offering to buy the car to remove V12's liability. V12 argues this shows Mr P was trying to sell the car and as it was unable to collect the car without paying M's fees, he'd lost control and possession of it.

It's clear there was a dispute about who should pay the storage and labour fees M was charging following the delay resolving the insurance claim. I've noted M also sent a copy of the invoice to Mr P, who contacted the insurer for payment too. So I think it's clear Mr P was caught in the middle, and both Mr P and M were contacting all the involved parties to try and resolve things as quickly as possible.

I also think M's offer to purchase the car was a way of trying to minimise the fees and resolve things with V12, rather than showing Mr P had sold or disposed of the car. Both M and V12 blame the other for the delay collecting the car, and it's unclear who was responsible for the failed collection attempts. But at this point, V12 had already terminated the agreement and was trying to repossess the car – so there wasn't much more Mr P could have done to recover the car himself.

Unfortunately, after a few more months things broke down between the parties involved. V12 has provided some notes from calls where Mr P suggested he wouldn't pay the balance after termination or the fees V12 had paid M. I've thought about everything that happened holistically, and I think things only got to this point because V12 hadn't treated Mr P fairly. I don't condone what Mr P said at this time, but I also don't think this supports that he intended to abandon the car or dispose of it with M.

Mr P continued with his payments until the termination, so I see no reason why he wouldn't have been able to keep the car and continue with the agreement if not for V12's actions. I've not seen evidence to show Mr P didn't co-operate or update V12 at any stage of the dispute – and considering the wider circumstances, I'm satisfied what happened was outside his control.

Overall, I'm not persuaded by V12's argument that Mr P had either sold, disposed of or lost control of the car, or that he was responsible for a breach of contract. As a result, I think it was unfair for V12 to terminate the agreement, and it had no valid grounds to do so.

How Mr P was affected by V12's actions

I've set out why I think V12 hasn't treated Mr P fairly, and why I think it's responsible for what went wrong, going right back to the gearbox fault. If the car hadn't developed the fault, the damage wouldn't have happened during the recovery, and the later dispute about the repair and storage fees wouldn't have taken place. It also follows that V12 wouldn't have had reason to believe Mr P had "lost control" of the car and so wouldn't have terminated the agreement unfairly.

I've thought carefully about how this has affected Mr P. Mr P explained to V12 that the stress of the situation had meant his GP signed him off work. I'm sorry to hear this happened, and I can see Mr P was stressed enough to ask a third party to speak to V12 instead, as he said he couldn't deal with things directly. V12 did take some steps to support Mr P, including placing the collections activity on hold for two weeks and offering to share information about a mental health charity – but I don't think this support went far enough.

As a regulated financial provider, V12 ought to be aware of its obligations to support customers who show signs of vulnerability. Once the hold period had expired, V12 went straight to terminating the agreement, rather than contacting Mr P to proactively find out more about the repairs with the car, and his own circumstances. I've seen that throughout the dispute, Mr P was the one to proactively contact V12 and ask for updates, even when he'd explained his mental wellbeing was suffering as a result.

I accept some of the stress Mr P experienced was caused by the other parties in the dispute. But I think V12 exacerbated things when it unfairly defaulted and terminated the agreement and didn't continue to offer consistent support for Mr P as a vulnerable customer.

I've considered the awards our service can make in circumstances like this. I think V12 needs to pay Mr P £500 to reflect the impact of its actions, in addition to the other payments I've set out.

My final decision

My final decision is that I uphold this complaint. Secure Trust Bank Public Limited Company trading as V12 Vehicle Finance must do the following to put things right for Mr P:

- End the agreement with nothing further to pay, removing Mr P's liability for any remaining balance, including additional costs added to the balance.

- Refund Mr P's part exchange contribution of £3,000.

- Refund the monthly instalments Mr P paid towards the agreement from 19 January 2025 onwards.

- Pay 8% simple yearly interest on all refunded amounts above, from the date the payments were made until the date of the settlement.

- Pay Mr P a further amount of £500 compensation for the distress and impact as explained above.

- Remove any adverse information from Mr P's credit file in relation to the agreement.

If Secure Trust Bank Public Limited Company trading as V12 Vehicle Finance considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr P how much it's taken off. It should also give Mr P a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 March 2026.

Hannah Dunkley
Ombudsman