

The complaint

Mrs H is unhappy that Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services (SFS) told her she would have to pay money to exit her hire agreement early.

When I refer to what Mrs H or SFS have said or done, it should also be taken to include things said or done on their behalf.

What happened

In June 2023, Mrs H entered into a hire agreement with SFS to acquire a new car. There was an advance rental of £2,843.26 followed by 47 rentals of £399.38.

Mrs H contacted SFS on 24 March 2025, as she was moving abroad and wanted to exit her finance agreement. At that time, she was given an early termination quote of £6,598.97 but was told to contact SFS closer to her time of move for an updated quote. As such, she contacted SFS on 16 April 2025, and they gave her an updated quote of £6,484.72.

Mrs H asked SFS if there were other options available to her, such as taking the car abroad with her or if she could transfer the car to another individual. SFS confirmed that these were options unavailable to Mrs H, so she raised a complaint with them. At the end of May 2025 Mrs H moved abroad, but at that time she still had no response from SFS to her complaint. On 29 July 2025, SFS called her and confirmed that she needed to pay an amount if she wanted to exit the agreement.

On 30 July 2025, SFS wrote to Mrs H's. They apologised that her complaint was not addressed in a timely manner. In this correspondence they highlighted sections of her finance agreement that explain what will happen if SFS terminate the hiring, or accept her repudiation of the agreement. SFS said they generated a new early termination quote as the last one expired, and stated the amount would be £5,201.23. They explained that they are unable to allow Mrs H to return the car without paying any shortfall. They said a contract hire car can also be purchased when the agreement is in the last 90 days or an early termination amount has been paid.

In this correspondence they also said that they are offering her £100 for the lack of service that she had received and because they did not reply to her complaint in a timely manner. Also, they reminded her that the car needs to be kept fully insured at all times.

Mrs H was unhappy with SFS's response. As such, she brought her complaint to Financial Ombudsman Service (Financial Ombudsman).

Our investigator was of the opinion that SFS's offer of £100 for the distress and inconvenience caused by not providing a resolution for Mrs H sooner was fair, considering the impact this had on her. The investigator thought SFS did not need to take any further action in relation to Mrs H's complaint. They felt that the hire agreement indicated an amount to pay, should Mrs H end the agreement early and, as such, SFS acted fairly in providing her

an early termination quotation, which included a reduction in future rentals due, when it was requested.

Mrs H did not accept the investigator's outcome. As such, the complaint has been passed to me to decide.

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 what is fair and reasonable, I need to take into account the relevant rules, guidance, the law, and, where appropriate, what would be considered to have been good industry practice at the relevant time.

Mrs H acquired the car under a hire agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements.

I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focused on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of our Financial Ombudsman as a free alternative to the courts.

In this decision I can only consider actions/inactions of SFS, and only the aspects they are responsible for and the ones that they have had an opportunity to address. As such, I cannot look at certain actions and/or inactions which Mrs H might be unhappy about. In this decision I only focused on the aspects I can look into, and only the events that have been raised by Mrs H with SFS, and the ones that happened by 30 July 2025, and only the ones that SFS had the opportunity to address in their final response issued on that date.

I know that Mrs H feels that she wanted to exit her hire agreement. She wanted to return the car, terminate the hire agreement, and have no fee, charge, or penalty to pay. As such, I have looked at what SFS did when she was requesting the information on her options.

The Consumer Credit Act 1974 (CCA) sets out the rights consumers have to voluntarily terminate their finance agreements and the liability that is due on termination. Under section 101 of the CCA, a consumer has a right to voluntarily terminate a hire agreement by giving notice. However, this regulation does not apply to agreements where the hirer is required to make payments exceeding £1,500 in a year. Under her hire agreement, Mrs H was required to pay more than £1,500 a year. As such, Section 101 of the CCA does not apply to her circumstances.

Next, I considered the terms and conditions of her hire agreement.

I can see that Mrs H signed a "Driver/Hirer: Key Information Responsibilities" documents. These documents state:

"Ending your agreement early
To end this contract early and return the vehicle, early termination charges apply.
Early termination of this agreement can be expensive."

In addition, from her hire agreement I can see that section 8.1, 8.2, 8.3 and 8.4 stipulate what happens when the hiring period ends earlier, SFS terminate the hiring, or accept Mrs H's repudiation of the hire agreement. This section explains that if SFS accepts Mrs H's

repudiation of the hire agreement, she would be required to repay all future rentals, less a 4% rebate. As such, it is possible for Mrs H to ask for repudiation of the hire agreement. At first glance this term is not as clear as it could be written but it does explain that Mrs H can ask for repudiation and, if accepted by SFS, the section stipulates what should happen.

Section 8.3 also indicates that SFS will deduct an amount calculated by SFS. This should be deducted from any sum Mrs H owes SFS in order to give credit for any difference in value of the car resulting from its return to them earlier than anticipated at the outset of the hire agreement. This could be interpreted as the amount which will be calculated by comparing the car's actual value at the date of termination to the originally anticipated car's value at the end of the original hire term. However, I agree with the investigator that this section is not very transparent as it does not clearly set out what the criteria for this calculation would be. For example, what would be used in assessing the car's value and how other factors, such as, for example, the mileage travelled in the car, would have been considered in such circumstances.

I know that the early termination quotes that SFS provided Mrs H with did not have an explanation of how they were calculated, or that they had an indication on how they were based on the terms of the hire agreement. But I also have considered that without this term, Mrs H would have no option of an early termination at all. This would mean that she would always be liable for all the payments due under the hire agreement, even if she returned the car earlier.

I can see that the latest quote that was provided to Mrs H in July 2025 was £5,201.23. I think, most likely, this was after July 2025 payment was made, which means that if she was to be liable for all the remaining hire rentals that would be about £9,585.12. As such, it seems that SFS has provided Mrs H with a discount. However, it is difficult to ascertain if the termination fee is fair, as it has not been charged and the car has not been returned at that time. We do not know the value of the car and its depreciation, so I am unable to determine the difference in value of the car resulting from its return to SFS earlier than anticipated. But from the quotes SFS was providing to Mrs H it seems they were providing a reduction from the full hire rental repayments that would have been due, had the agreement ran its course to completion. And, based on the general terms of the hire agreement, SFS was able to charge an amount should the hire agreement be terminated earlier. In this case I am not commenting on the fairness of how these quotes were calculated, however, I think it was not unreasonable for SFS to ask for an early termination amount in their quotes.

I know that Mrs H also believes that she should have been allowed to take the car abroad and/or to transfer ownership to another individual. SFS told her that this would not be possible. As such, I considered what her agreement says about these aspects.

Section 4.1 states that Mrs H needed to keep the car in her possession and control and could not sell or dispose of it. Also, section 14 of the agreement states that Mrs H must not transfer the hire agreement, or any rights or responsibilities under it, to any other person. As such, it is not unreasonable that Mrs H was not allowed to transfer the car's ownership to another individual.

Section 4.2 of the hire agreement states that the car cannot be taken outside of the UK without permission of SFS. SFS did not give permission for Mrs H to do so, and here, also, I cannot say that this was unreasonable. This is because SFS would not have easy access to the car if it was shipped outside of the UK and, had the payments been missed, it would be difficult and costly for them to recover their asset.

Lastly, I considered the customer service Mrs H received from SFS when she was trying to get information about her options under her hire agreement. SFS did have eight weeks to

consider Mrs H's complaint. However, I think, they could have given Mrs H information regarding her options under the hire agreement earlier than they did. I think waiting and contacting SFS caused Mrs H worry, as she was coming closer to her moving abroad date. SFS offered Mrs H £100 for the distress and inconvenience caused to her and, I think, this fairly reflects the impact this situation had on her.

While I sympathise with Mrs H for the difficulties she has experienced, taking all the circumstances of the complaint into account, it is not fair or reasonable for me to require SFS to take any further action in response to Mrs H's complaint, except to pay her £100 compensation I mentioned above.

My final decision

For the reasons given above I do uphold this complaint and direct Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services to pay her £100, if this has not yet been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 10 March 2026.

Mike Kozbial
Ombudsman