

## The complaint

Mr A complains about the end of contract charges in relation to a vehicle that was supplied through a motor finance agreement with MotoNovo Finance Limited (MotoNovo).

## What happened

The circumstances surrounding this complaint and my initial findings were set out in my provisional decision which said:

*In August 2022, Mr A acquired a used car through a hire purchase agreement from MotoNovo. The car was about five years old and had travelled 65,000 miles when it was supplied to Mr A. The cash price of the car was £15,999. A deposit of £500 was paid, so the total amount financed under the agreement was £15,499, payable over 48 monthly repayments of £337.66, followed by a final repayment of £4,963.84.*

*Mr A said he decided to voluntarily terminate (VT) the agreement and accepted that he was liable to pay £1,894.26 to do so. However, Mr A says that MotoNovo applied over £9,500 in additional charges, which included storage, administration fees, diagnostics, and an engine repair estimate.*

*Mr A said MotoNovo hasn't treated him fairly and that the charges are causing him anxiety and stress. He considers the charges to be unexplained and unverified.*

*To resolve matters, Mr A would like all charges, other than the initial halfway point charge of £1,894.26, to be removed, and for there to be no impact on his credit file.*

*In May 2025, MotoNovo issued its final response to Mr A's complaint, which it did not uphold. In summary, it confirmed that Mr A made a VT request in October 2024. However, the car was impounded due to it having no tax. MotoNovo said Mr A reconfirmed his wish to VT the agreement, and this was completed on 28 November 2024, incurring costs of £1,162 which included storage, administration, and removal fees.*

*MotoNovo advised that a diagnostic, which cost £95, was carried out and identified an issue with the car's engine, which was estimated to cost over £8,000 to repair. MotoNovo advised that the full costs came to £11,547. The breakdown was as follows:*

- *Halfway liability: £1,894.26*
- *Storage fees and administration: £1,162.80*
- *Replacement engine: £8,000*
- *New key: £395*
- *Diagnostics: £95*

*MotoNovo advised that the car was sold in March 2025, leaving a balance of £11,412.95, which is what Mr A is being charged.*

*Unhappy with MotoNovo's decision, Mr A brought his complaint to our service, where it was*

*passed to one of our investigators to look into.*

*During a phone call with the investigator, Mr A explained that he noticed an issue with the engine in September 2024 and decided against using the car. Mr A said the tax ran out shortly after. He said he was looking into repairs but hadn't got around to arranging them. Mr A said he accepted responsibility for taxing the car, as well as for the recovery and key costs, but did not agree with the engine repair costs, as he believed he could have had the car repaired for less.*

*During the call, Mr A said he had become unhappy with the car after noticing the engine began to play up, so he left it parked outside his house. Mr A said he was aware that the vehicle could be removed and that's when he contacted MotoNovo to arrange the VT.*

*In October 2025, our investigator issued their view and recommended that Mr A's complaint should be upheld. In summary, the investigator concluded that the car was not durable, as the engine failed prematurely, and considered that Mr A should have been allowed to reject the car when the issues were identified. The investigator recommended that MotoNovo end the agreement and refund Mr A's deposit and rentals from October 2024, less the replacement key and storage charges. The investigator also considered that MotoNovo should pay Mr A £200 in compensation.*

*MotoNovo did not accept the investigator's view. It said Mr A's complaint was not related to the quality of the vehicle and that it had not been given the opportunity to investigate or respond. In addition, MotoNovo said there was no engineer's report to support concerns about the quality of the engine. However, as the investigator's view remained unchanged, MotoNovo asked for the complaint to be referred to an ombudsman for a final decision.*

I sent Mr A and MotoNovo my provisional decision in January 2026. I explained why I didn't think the complaint should be upheld. The key parts of my provisional findings are copied below:

*In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.*

*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 A complains about a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Mr A's complaint about MotoNovo.*

*The Consumer Credit Act 1974 (CCA) sets out the rights consumers have to voluntarily terminate their hire purchase agreement and the liability that is due on termination. The "termination: your rights" section of Mr A's hire purchase agreement also refers to the liability that is due on termination, and in his case that was £10,835.76. Various sections of the agreement Mr A had with MotoNovo also referred to the liability on early termination,*

*including where excess mileage, damage charges or other charges may increase the final liability.*

*In their final response, MotoNovo confirmed the charges they were applying at the end of the contract. Mr A told us that he accepted the charges related to the vehicle recovery, tax and replacement keys, but that he disputed the charges related to the engine replacement.*

*The terms of the agreement under the section “your obligations” say you will: “be responsible for, and compensate us against, the loss of and all damage to the Vehicle howsoever caused, and compensate us against any loss, cost, expense or liability which we incur as a result of your use or possession of the Vehicle.”*

*Given these terms, I think it’s reasonable that Mr A is liable for the condition of the vehicle beyond fair wear and tear when it was returned.*

*Mr A told the investigator, during a telephone call, that he noticed a problem with the engine around September 2024 and at that point decided to return it via VT. Mr A said he was aware the tax was going to lapse and that he’d been told by the relevant authorities that the vehicle was likely to be impounded. However, Mr A decided to leave the car on the road without it being fully taxed. So, I’m satisfied the impounding of the car, and its related costs, were a result of Mr A deciding against renewing the vehicle tax whilst it was in his possession.*

*I don’t think it’s reasonable to expect MotoNovo to absorb these costs, which I consider were avoidable.*

*In relation to the issue with the engine, Mr A says he believes he would have been able to have it fixed for less, but that he was never given the opportunity.*

*Having thought about this carefully, I’ve considered that Mr A decided to VT the vehicle in the knowledge that something was wrong with the engine. He told the investigator this during a phone call in October 2025. Mr A had the opportunity, before returning it, to have the issue diagnosed and quoted for repair. However, instead he chose to return it.*

*The diagnostic commentary from the auction services advised: “When vehicle started, found excessive whining from the turbo and, once the engine warmed, engine knocking excessively and misfiring – would not recommend replacing the turbo as this would not be an economical repair due to the engine not being fit for condition.”*

*I’ve no reason to doubt these findings, and so I think it’s reasonable to conclude the issue with the engine was beyond fair wear and tear; it follows that I’m satisfied Mr A should be liable for it.*

*The investigator concluded that the car wasn’t suitably durable, as the engine shouldn’t have failed when it did. I don’t think it was unreasonable for the investigator to reach this conclusion, given the remit of the service. For example, it may have been that Mr A’s decision to VT the vehicle, and the resultant costs incurred, was a result of his desire to return a car that he believed was of unsatisfactory quality.*

*I’ve thought about this carefully; however, in the absence of further evidence, for example from an industry expert to comment on or confirm that the failure of the engine was due to a lack of durability (as opposed to anything Mr A may have contributed to), I don’t consider the car was supplied to Mr A in a condition that was not suitably durable.*

*I’ve taken into account that Mr A chose to return the car without first arranging for a*

*mechanic to investigate the issue with the engine. In the circumstances, I don't think it would have been unreasonable for Mr A to have taken the opportunity to obtain a professional assessment before giving the vehicle back, particularly as he was aware that the engine was presenting a problem.*

*In their final response, MotoNovo advised that a diagnostic was carried out which indicated the engine was misfiring and knocking excessively, and that replacing the turbo would be uneconomical. It estimated the engine repair costs at £8,000. I haven't seen any evidence that the diagnostic commented on the potential cause of the issue, or whether it would have been present or developing when the car was supplied to Mr A.*

*I don't think it is reasonable, without expert evidence or opinion, to make a probable assumption that a lack of durability was the likely cause of the engine's failure.*

*I recognise that different factors can impact the lifespan or performance of a vehicle's engine. This includes how a vehicle is driven and regular servicing. In an email to the investigator dated September 2025, Mr A said he serviced the vehicle himself.*

*I don't doubt Mr A's ability to carry this out successfully, and I recognise he said he used genuine parts; however, I've had to consider that the servicing, which is a vital part of maintaining an engine, was not completed by a mechanic or vehicle servicing expert or professional. Nor have I seen any evidence that it was completed in a way that was in line with the manufacturer's guidelines.*

*I've also considered that Mr A had use of the car for two years and travelled around 9,000 miles in it. In total, the car had travelled around 75,000 miles at the point the engine started to fail. Although this may appear to be premature, for the reasons given above I'm satisfied the liability for this lay with Mr A.*

*So, I don't think it's unreasonable to consider that the maintenance of the car, along with some other factors, may have contributed to the engine's failure. From the evidence provided, I'm not persuaded the fault with the engine was due to a lack of durability.*

*All things considered, I'm satisfied the end-of-contract charges applied by MotoNovo are fair and reasonable. I'm also satisfied they are consistent with the terms of the agreement and what's expected of MotoNovo under the CCA.*

I invited both parties to make any further comments. MotoNovo didn't respond. However, Mr A responded to say he disagreed with the £8,000 engine replacement charge as he believed it was never incurred.

Now both sides have had an opportunity to comment, I can go ahead with my 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.

In his response to my provisional decision, Mr A said that no repair had been carried out to evidence the cost of a replacement engine or to show that such a replacement was actually required.

I've considered this carefully. However, I remain satisfied that the condition of the engine was such that a replacement would have been necessary. I'm also satisfied that the auction services used by MotoNovo are a professional inspection and vehicle remarketing provider with sufficient expertise to arrange an appropriate diagnostic assessment and provide a reasonable estimate for repair costs. I've been given no reason to doubt their findings.

Mr A returned the vehicle knowing that the engine was in a condition requiring repair. It's reasonable to conclude that the vehicle would have lost considerable value as a result of the engine issues. In these circumstances, I also think it's reasonable that MotoNovo should be able to recover their losses.

I still consider my provisional decision to be fair and reasonable in the circumstances. Neither party has added anything which gives me cause to change these. Therefore, for the reasons as set out above and in my provisional decision, I'm satisfied that the end-of-contract charges applied by MotoNovo are fair and reasonable. So, my final decision is the same.

I recognise that this decision is likely to be disappointing for Mr A, however I can assure him that I've considered all the evidence provided and believe on balance that my provisional findings are fair in the circumstances.

### **My final decision**

My final decision is that I don't uphold Mr A's complaint about MotoNovo Finance Limited.

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

Benjamin John  
**Ombudsman**