

The complaint

Mr K is unhappy with the way Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services (“VWFS”) handled the return of his car at the end of the finance agreement.

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

What happened

In January 2022, Mr K was supplied with a used car through a hire purchase agreement with VWFS. The agreement was payable over 36 months after which Mr K could return the car. Under the terms of the agreement, any mileage exceeding 76,500 would be charged at 7 pence per mile, plus VAT.

At the end of the agreement, Mr K asked to return the car. In May 2025, VWFS inspected and collected the car. VWFS issued an invoice of a little over £50 for excess mileage, and a further £2,500 (inc VAT) for refurbishment charges. I have rounded all figures for simplicity.

Mr K complained to VWFS. He said he hadn’t been informed that the refurbishment charges would attract VAT, and he thought the charges were excessive and not supported by objective evidence.

VWFS issued its final response to Mr K’s complaint. In its letter dated 8 August 2025, VWFS partially upheld Mr K’s complaint. It said:

The VAT charge does not need to be explicitly stated according to HMRC rules, as it applies automatically to all relevant services.

[VWFS has] written off a portion of the refurbishment charges ... [which] includes £972 as redress for charges that could not be justified, and £354.13 as a goodwill gesture.

The remaining balance was around £1,200 and, in recognition of the inconvenience, VWFS offered £150 as a goodwill payment.

However, Mr K didn’t think VWFS had done enough. He said VWFS had pursued him for payment of the balance without taking into consideration the rules regarding debt collection and vulnerability. He thought it should waive the final balance and pay £700 compensation for the distress and inconvenience caused. Mr K brought his complaint to us.

Our investigator didn’t uphold Mr K’s complaint. He said the rules to which Mr K referred do not prevent businesses pursuing outstanding charges. While the rules require businesses to treat customers fairly, our investigator said VWFS had chased only contractually due charges. This included the mileage charge and the final wear and tear charges. Our investigator thought the offer of £150 was reasonable by way of apology for the debt letters which reverted to the original charges in error.

Mr K didn't agree. He said a £400 charge for damage to an alloy wheel should be removed at the least because the inspection report did not provide conclusive evidence that the damage was as stated. He also said the rules regarding disputed debt handling hadn't been considered properly.

Because Mr K didn't agree with our investigator, the complaint was 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.

Having done so, I've decided not to uphold Mr K's complaint for broadly the same reasons as our investigator. I realise this will come as a disappointment to Mr K, but I find that VWFS has done enough to resolve matters.

Both parties have provided evidence in relation to this complaint. While my decision is brief by comparison, I have considered everything provided. I have also considered the Financial Conduct Authority's (FCA) guidelines, including the specific rules to which Mr K referred, industry good practice, and the British Vehicle Rental and Leasing Association (BVRLA) guidelines. In addition, I have thought about what's fair and reasonable in the circumstances.

To begin with, I'll explain that my remit is to reach a decision about a complaint that VWFS has first had an opportunity to address. That means, I can only consider those matters about which Mr K complained, and to which VWFS responded in its 8 August 2025 final response letter. When Mr K brought his complaint to us, he included matters regarding debt chasing and vulnerability. However, the medical evidence he submitted related to events after VWFS had issued its final response. Therefore, I can't say it had an opportunity to address Mr K's complaint about vulnerability. While I understand that the vulnerable situation he found himself in will be deeply distressing for Mr K, our rules don't allow me to consider this aspect of his complaint here. VWFS must first be given an opportunity to respond directly to him.

Refurbishment charges

Turning to the charges for wear and tear, I understand Mr K feels the charges aren't warranted. He said that they fall within the BVRLA guidelines for fair wear and tear.

I won't list all of the charges here because both parties have the details, but I will comment directly on the £400 charge for the front left alloy wheel. Mr K said there's no evidence that it is distorted as suggested in the inspection report. I've looked at the report which includes a photo of the wheel with a measuring guide held against it. There's a clear distortion in the alloy at the edge closest to the tyre which is measuring at least 50mm. The charge reflects the cost to replace the alloy.

Based on this evidence, and when compared to the BVRLA guidelines, I'm satisfied that VWFS has fairly applied the charge. I've considered the remaining charges and corresponding photos, and I haven't seen anything to suggest that VWFS has unfairly applied the overall final charges. Therefore, I see no reason to ask VWFS to waive the balance.

Disputed debt

Mr K said FCA's rules (CONC 7.14) state that a disputed debt should not be pursued. While this is correct, Mr K's circumstances do not meet the circumstances under which this rule would apply. There's no doubt that Mr K disputed the wear and tear, but there was no

dispute that he was a party to the agreement, that the debt existed, or that the amount was incorrect. Mr K simply thought that VWFS should waive the charges because he believed there was an absence of proof of wear and tear.

VWFS removed around half of the charges, some of which was a gesture of goodwill following investigation into Mr K's complaint, and the inspection report provided evidence of the remaining charges. While VWFS did make an administrative error by including the original wear and tear charges, I'm satisfied that its payment of £150 by way of apology for the errors and distress caused is fair in the circumstances.

Overall, based on the evidence, I'm not persuaded that VWFS inappropriately pursued payment of the outstanding balance.

Credit file

I've noted Mr K's concern about the possibility of his credit file being affected adversely by this matter, albeit he has been clear that he is not asserting proven damage. As I have not seen any evidence of incorrect submissions to the credit reference agencies, and Mr K's reference relates to what he has seen in his personal records held by VWFS, I make no finding on this matter.

In summary, I'm satisfied that VWFS paid fair compensation for its administration error regarding the debt collection letters and that it reassessed the charges reasonably based on Mr K's challenge. I'm not persuaded by the evidence that VWFS treated Mr K unfairly.

My final decision

For the reasons explained, I don't uphold Mr K's complaint about Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 20 March 2026.

Debra Vaughan
Ombudsman