

The complaint

Ms O is unhappy that RCI Financial Services Limited trading as Nissan Finance ('RCI') terminated and defaulted a hire purchase agreement she had with them after she was unable to pay the final payment.

What happened

In April 2022, Ms O was supplied with a used car through a hire purchase agreement with RCI. She paid an advance payment of £6,222 and the agreement was for £14,028 over 37 months; with 36 monthly payments of £184.50 and an optional final payment of £11,477. At the time of supply, the car was around three years old.

In January 2025, when the agreement was coming to an end, RCI wrote to Ms O with her options. They advised that she was able to part-exchange the car for a new one, keep the car and either pay the final payment as a lump sum or refinance it, or she could hand back the car, and the final payment wouldn't be payable. RCI reconfirmed these options to Ms O on 15 February, 16 March, and 16 April 2025.

Ms O didn't respond to RCI so, on 2 May 2025, they advised her they would collect the final payment as a lump sum on 15 May 2025 – this was the default option under the agreement Ms O signed. Ms O contacted RCI on 4 May 2025 and confirmed that she was unable to afford the refinance payments (£256.43 over 60 months), that she was in receipt of benefits as her only income, and that she's had to borrow money from family members to be able to maintain payments to RCI.

Ms O wanted to be able to keep the car, and RCI asked her for medical evidence to see if they were able to offer any further help. RCI asked for this again on 13 May and 25 May 2025, but this was never provided to them. So, on 25 May 2025, RCI sent out a Notice of Sums in Arrears. In a conversation that took place on 3 June 2025, Ms O advised RCI she was in financial difficulties, and they again asked her for further information about her medical conditions.

On 11 July 2025, RCI again confirmed the options with Ms O, explaining that if the refinance option wasn't suitable, and she was unable to repay the final payment as a lump sum, she would be unable to keep the car. On 16 July 2025, RCI issued a default notice and, on 10 September 2025, they terminated the agreement.

Unhappy with what had happened, Ms O brought her complaint to the Financial Ombudsman Service for investigation.

Our investigator thought RCI had acted reasonably in the circumstances. Ms O had been struggling to make the payments under the agreement, and she was unable to afford the refinance option. As Ms O hadn't paid the final payment owing under the agreement, nor had she returned the car, the investigator thought RCI also acted reasonably by defaulting and terminating the agreement. So, they didn't think RCI needed to do anything more.

Ms O didn't agree with the investigator's opinion. She said that RCI had registered a default for £20,613, despite the amount outstanding being £10,800, and she supplied a copy of her credit file to support this. She also didn't think that RCI had treated her fairly, given her circumstances, and that *"the existence of arrears does not automatically justify default"* – proportionate enforcement should be applied, when a customer is engaging and paying, and a default should be the last resort, not the first.

Ms O also said the car represented protected goods under the Consumer Credit Act 1974, ('CCA') so could not lawfully be recovered without a court order; and that RCI had failed to engage with her about her health and disability, failing to provide a GDPR-compliant channel for special category data.

Ms O was also unhappy that the investigator issued their opinion before she'd provided all her evidence, and that there was a factual inaccuracy relating to the vehicle's manufacturer.

Because Ms O didn't agree with the investigator's opinion, this matter 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. 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, my decision will be based on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

My role is to decide what's fair and reasonable 'in the round', in line with our service's remit. When considering matters, 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. When reaching a decision on what's a fair way to resolve this complaint, I don't have to reach the same view as, for example, a court might reach when considering a breach of contract or misrepresentation.

Ms O was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

Before I explain why I've reached my decision, I think it's extremely important for me to set out exactly what I've been able to consider here. I note Ms O is unhappy with how the investigator conducted the investigation, and she believes there has been procedural unfairness. However, my decision is about the actions of RCI, not the investigator, and Ms O's concerns about the investigator are best dealt with under our internal service complaints process. As such, I won't be considering the actions of the investigator as part of my decision about the actions of RCI.

Ms O has also commented on RCI's application of data protection legislation. While this is something I could consider, Ms O is making a technical legal argument about compliant channels and special data. The Information Commissioners Office ('ICO') is the body that deals with matters such as this and, given the nature of Ms O's complaint, I think this is a matter best dealt with by the ICO. As such, and again, this will not form part of my decision.

Turning to what I am able to consider, I've seen that Ms O has declared she lost her job in May 2025, due to a severe deterioration of her health, and that she was experiencing severe

financial hardship. As such, she was unable to pay the lump sum final payment, and she was looking for an affordable repayment plan.

As explained by the investigator, the Financial Conduct Authority sets out that, when a financial business is dealing with situations such as this, they “*must treat customers approaching arrears or in default with forbearance and due consideration.*” While this means they should consider refinancing options, over a reasonable period of time, that doesn’t adversely affect a customer’s financial situation, this does not give the customer an automatic refinancing right. RCI are also required to consider if refinancing is a viable option and they are able to refuse this if it will put a customer in financial harm.

RCI offered Ms O a refinance option over five years, on a car that was, at that point, already over six years old, i.e., the refinancing would run until the car was over 11 years old. This was unaffordable for Ms O. Given the age of the car and Ms O’s declared financial circumstances, and that she had been reliant upon family members for financial support, I don’t think it would have been reasonable for RCI to offer refinancing over a longer period of time as (i) Ms O would be refinancing a car for longer than it’s reasonably expected lifespan, and (ii) her reliance upon family members for financial support would most likely mean that any refinancing was not a financially viable option at that time.

As such, and while I appreciate that Ms O won’t agree with me on this, I’m satisfied that, in these circumstances, the reasonable option was for RCI to ask Ms O to return the car as she was unable to repay or refinance the optional final payment.

It’s not disputed that Ms O didn’t want to return the car and continued to make lump sum payments between £184 and £250 between 4 June and 4 September 2025. While I appreciate she believes this shows she was engaging with RCI and was willing to make payments, by her own admission these payments were only able to be paid with financial support from family members. And this is not a viable basis for a long-term refinance deal.

The final optional payment was £11,477 – the equivalent to around 62 of the contractual monthly payments. So, when this fell due and wasn’t paid, Ms O was technically 62 months in arrears. I would expect RCI to default an account when it was between three and six months in arrears, so I don’t think they acted prematurely by issuing a default notice when they did. And I don’t think this was taken as the first option – the default wasn’t registered until 10 September 2025, some four months after the final payment first fell due. And, in that intervening time, Ms O had the option to part-exchange or return the car, provide RCI with the requested evidence so they could review the refinance options available, or to obtain alternate financing to repay the final payment.

Ms O has provided a copy of her credit file and I’ve reviewed this. While this shows an outstanding balance of £20,685 on 1 September 2025, it also clearly shows the default date of 10 September 2025, and a default amount of £11,477 – the final payment amount. As such, I can’t agree with Ms O that RCI have registered a default for over £20,000.

Ms O paid RCI a further £1,250 in September 2025, but after the date of the default, and this has brought the outstanding balance down to £9,208 (as of 23 September 2025). I would expect RCI to report the correct outstanding balance to the credit reference agencies on a monthly basis, and I haven’t seen anything that shows me this hasn’t been the case.

Ms O has also claimed that RCI are not lawfully able to recover the car from her, under the CCA. In their letter dated 10 September 2025, when they advised Ms O they had terminated the agreement and that she was to stop using the car, RCI also said “*we will be instructing our agents to collect the vehicle.*”

Under the heading “*Repossession: Your Rights*”, the agreement Ms O had with RCI explained that, if she had paid at least one-third of the total amount owing under the agreement, RCI were unable to repossess the car without Ms O’s permission or a court order. The agreement also confirmed that one-third figure was £8,247.

I’ve reviewed the statement of account and seen that, as of 10 September 2025, when the agreement was terminated, Ms O had paid RCI a total of £7,611. As such, at the point they advised Ms O they were looking to take back the car, she hadn’t paid the required one-third that would mean they needed her permission or a court order to repossess. Therefore, I’m satisfied that RCI weren’t in breach of the requirements of the CCA when they sent this letter and started repossession proceedings.

So, in conclusion, given all the above, I’m satisfied that RCI had acted fairly and reasonably in the circumstances, and I won’t be asking them to do anything more.

My final decision

For the reasons explained, I don’t uphold Ms O’s complaint about RCI Financial Services Limited trading as Nissan Finance.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms O to accept or reject my decision before 19 May 2026.

Andrew Burford
Ombudsman