

## **The complaint**

Mrs C is unhappy with how Honda Finance Europe PLC trading as Honda Financial Services (HFE) have dealt with her when she had difficulties maintaining payments.

When I refer to what Mrs C has said and what HFE have said, it should also be taken to include things said on their behalf.

## **What happened**

On 2 March 2022 Mrs C was supplied a new car via a personal contract purchase agreement with HFE. Mrs C paid a deposit of £9,471 with an additional manufacturer's deposit contribution of £1,500. Mrs C was then due to pay 47 monthly payments of £304.95. The agreement was originally scheduled to end in March 2026 but was extended to April 2026 following the application of a payment holiday. The final balloon payment due on 29 April 2026 is £15,130.74.

Due to a change in circumstances Mrs C found herself in financial difficulties and struggled to maintain payments on the car. She applied twice, in April 2023 and October 2024, for finance on cheaper cars but was turned down on both occasions by HFE due to their affordability checks. Mrs C has tried to maintain payments on the car but has been in arrears and had various communications with HFE. In trying to find a solution the main one offered has been either surrendering or selling the car. Mrs C is reluctant to do either of these due to her reliance on the car for work and daily life. Mrs C feels that HFE have not done enough to support her given her current situation. As a result, she complained formally to HFE.

On 26 August 2025 HFE issued their response to Mrs C's complaint. They did not uphold her complaint. They stated that the applications for new agreements were rejected in line with responsible lending guidelines. They pointed out that at the time of the second application Mrs C had approximately £2,150 equity in the car. She would have been able to end the agreement without having to make any additional payments and keep the additional equity. As Mrs C was still not happy she complained to us.

On 20 February 2026 our investigator issued their view. They did not uphold Mrs C's complaint. They felt that HFE had acted fairly in assessing applications that Mrs C had made for credit. Mrs C still had the option to sell or part-exchange the car for a cheaper one.

Mrs C did not agree with the investigator's view. She did not feel that she was applying for additional borrowing but attempting to reduce her monthly payments. It also showed that she was proactive in trying to deal with the situation. The focus of her complaint was not about further lending but whether HFE supported her appropriately. She also said that the options offered to her, i.e. selling the car, were not appropriate as she relied on her car for work and daily commitments.

This did not change the investigator's view. They still felt that the options offered by HFE are those that we would expect in these circumstances.

As Mrs C did not agree it has been passed to me to consider.

### **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 this complaint 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.

Mrs C was supplied with a vehicle under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

Mrs C entered into a regulated finance agreement with HFE on 3 March 2022 to acquire a new car. Mrs C paid deposit of £9,471 with an additional manufacturer's deposit contribution of £1,500. Mrs C was then due to pay 47 monthly payments of £304.95. The agreement was originally scheduled to end in March 2026 but was extended to April 2026 following the application of a payment holiday. The final balloon payment due on 29 April 2026 is £15,130.74.

I can see from the file that Mrs C experienced financial difficulties. There is a copy of an individual voluntary arrangement on her file covering the period of 14 November 2023 to 11 November 2024. Mrs C did not include HFE as a creditor due to the need for her to maintain a car. This supports both the fact that Mrs C experienced financial difficulties and how important the car was to her.

Mrs C first attempted to address her situation with HFE on 27 April 2023. She made an application for finance on a different car. This would have required a deposit of £500 and 48 monthly payments of £349.40. HFE did not approve the application because of their affordability checks and Mrs C's financial situation.

Mrs C made a further attempt to refinance a cheaper car in October 2024. Again, HFE did not approve the application because of Mrs C's financial situation.

There is a lot of communication between Mrs C and HFE on the file. I won't go into detail on all of them, but I would like to assure both parties that I have read and considered the whole file.

One of Mrs C's issues centres around whether HFE provided her enough support and specifically that they did not carry out affordability and expenditure checks when she experienced difficulties. In an email to her dated 12 November 2025, they explained why:

*"With regards to completing an affordability/income and expenditure check this would be done when the customer is looking to set up a repayment plan to repay the arrears on the account. This could be after an asset has been returned to terminate the agreement or whilst the contract is still running. Where a customer has already told us that their outgoings exceed their income, there is no benefit in asking for an income and expenditure form to be completed. This wasn't offered to you as you had stated, both in calls and via email, that you were not in a position to pay more than the monthly payment already required to be paid. You had also advised that you would prefer the arrears to be collected at the end of the contract term so a repayment plan for the arrears would not be viable at this time."*

I find this a reasonable explanation and in line with what we would expect from finance companies in such situations.

In terms of forbearance provided by HFE I can see that they applied a one month payment holiday in October 2024. They have also offered to consider another payment holiday in January 2026. From the messages I have seen they have been supportive in their tone. As an example, from an email dated 13 January 2025:

*“The outstanding balance can be caught up on when it is affordable for you to do so, please let us know if you have any further issues in being able to make payments.”*

Appropriate forbearance does not mean writing off debt or providing substantial compensation. Looking at the account it is clear that HFE does have the right to place Mrs C in default and terminate the contract. This would lead to the car being repossessed and Mrs C being in a worse position. The fact that HFE have held off termination and repossession does show that they have taken Mrs C’s personal situation into account and provided forbearance.

I can see from the file that on a number of occasions that HFE have signposted (or offered to) to agencies that are able to provide advice and support to consumers experiencing financial difficulties. For example, an email from September 2024 states:

*“There are a few other potential liabilities involved in voluntary termination, for example, the condition of the vehicle any damages beyond wear and tear, excess mileage on the vehicle, items that came with the vehicle would need to be returned and a collection fee of 108 including VAT. Please see the below links for further financial assistance, should you find yourself struggling to maintain your priority bills.*

*Local Debt advice Locator <https://www.moneyadviceservice.org.uk/en/tools/debt-advice-locator>*

*Advise of prioritising debts <https://www.moneyadviceservice.org.uk/en/articles/how-to-prioritise-your-debts>*

*Money Navigator Tool <https://www.moneyadviceservice.org.uk/en/tools/money-navigator-tool>”*

Whilst empathetic to Mrs C’s situation I can only hold HFE to account if they have failed to follow FCA guidance or otherwise treated Mrs C unfairly. Unfortunately, Mrs C has experience financial difficulties. HFE’s responsibility in relation to Mrs C is to take her situation into account and provide appropriate support and forbearance.

Mrs C applied for credit for a cheaper car on 27 April 2023 and this was rejected because of affordability checks carried out. Whilst Mrs C stated that she was looking to reduce her monthly outgoings this new application would have actually had a higher monthly payment. Mrs C also applied again in October 2024, and the application was again rejected. I can see that both of these applications have been assessed accordingly and in line with FCA guidance.

As I said I am empathetic to the situation Mrs C finds herself in and understand the distress that this must be causing her. Due to her circumstances she cannot afford the monthly payments under this agreement. This is due to no fault of hers, but equally it is not the fault of HFE. I cannot hold them to account simply because a change of circumstances post contract made it unaffordable to Mrs C. They have provided one payment holiday and offered to consider another. They have sign posted her to relevant agencies. They have acted with forbearance in not seeking to terminate the contract and allow Mrs C to realise the equity in the car to put towards another car. I understand why she does not wish to do this, given the relatively low equity value, but I cannot force HFE to take any other course of action that puts her in a better position. HFE have acted in accordance with the terms of the

agreement, treated Mrs C fairly and provided forbearance by not seeking to terminate and repossess.

One additional point is that Mrs C felt that an agent represented themselves as working for us. I have listened to the transcript of the conversation and it is clear that the agent was explaining that they have worked with our service not for our service. The rest of the conversation is clear on that point.

For the reasons above I do not uphold this complaint.

**My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 13 April 2026.

Leon Livermore  
**Ombudsman**