



complaint

Mr Z complains that LeasePlan UK Limited (trading as Network) has applied a £1 VAT charge to the £5 increase in the road fund licence that he is required to pay under the terms of his hire agreement. He also complains that Network has collected the charge by direct debit when it had no authority to do so.

background

A car was supplied to Mr Z under a hire agreement with Network. Network agreed to provide an annual road fund licence at its expense up to the then current cost. The road fund licence increased by £5 so it charged that amount to Mr Z and added VAT. Mr Z complained to Network that it was not entitled to charge him VAT on the increase. He was not satisfied with its response so complained to this service.

The adjudicator did not recommend that this complaint should be upheld. She concluded that Network was correct to charge VAT on the £5 increase in the cost of the licence.

Mr Z says that VAT is only payable because Network was purchasing the road fund licence on his behalf. He says that the VAT should, therefore, be included as part of the cost of purchasing the road fund licence which is Network's liability.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

The hire agreement says: *"...we will provide an annual road fund licence ... for the Term of this Agreement. This will be provided at or own expense up to the cost which is current at the date of this Agreement. If there is an increase in the cost of renewal during the Term, you will pay to us on demand the amount of such increase"*. The terms and conditions say at clause 2.1: *"You shall pay to us: 2.1.1 the Rentals and any Advance Rental at the times specified in the Schedule by direct debit together with any other sums due under this Agreement; ... 2.1.4 VAT on all Rentals and any other sums due under this Agreement upon which VAT is chargeable at the applicable rate"*.

The guidance from Her Majesty's Revenue and Customs says that where Network has incurred costs whilst making an onward supply, it would be correct in charging VAT on that supply.

On the basis of the terms of the hire agreement, clause 2.1. of the terms and conditions and the guidance from Her Majesty's Revenue and Customs, I am not persuaded that there is enough evidence to show that Network has acted incorrectly in applying £1 of VAT to the charge for the £5 increase in the cost of the road fund licence. I therefore do not consider that it would be fair or reasonable for me to require Network to refund that VAT to Mr Z or to require it to undertake not to apply VAT to any future charges. Nor do I consider that it would be fair or reasonable for me to require Network to contribute to Mr Z's costs of preparing his complaint.

Clause 2.1 of the terms and conditions authorises Network to collect by direct debit the sums that are due under the hire agreement. I am therefore not persuaded that there is enough evidence to show that Network has improperly collected money from Mr Z's account.

my final decision

For these reasons, my final decision is that I do not uphold Mr Z's complaint.

Jarrold Hastings
ombudsman