

The complaint

Ms P complains that ALD Automotive Limited mishandled the extension of a personal contract hire agreement she held with it in respect of a car.

Although Ms P has been assisted in both making her complaint to ALD and to this service, I'll refer to anything that's been said on her behalf as if Ms P had said it herself.

What happened

In July 2019 Ms P entered into a three-year personal contract hire agreement for a new car with ALD. Ms P also entered into a maintenance agreement for the car which was added to the monthly rentals making a total amount of £264.06 to be paid each month.

In January 2022 Ms P contacted ALD and enquired about extending the agreement for a further 12 months as she said she was awaiting the delivery of a new car. ALD says it explained to Ms P that any modification to the contract, if agreed, would commence one month after the rescheduling quotation had been signed and returned. A rescheduling quote was sent to her that same month. However, this quote wasn't signed and returned by Ms P and so expired meaning the hire agreement remained unchanged.

In March 2022 Ms P contacted ALD and asked it to provide another rescheduling quote this time for an 11-month extension from the expiry date of the original contract but without the maintenance agreement being included. ALD sent her an amended quote with a starting date of the end of April 2022 to run to the end of June 2023. The monthly cost was £218. The accompanying email from ALD stated that if the quote for a "*non-maintained*" car (i.e. the maintenance agreement was cancelled and removed) was accepted by Ms P, then a maintenance agreement couldn't be re-added at any point. Ms P didn't sign and return this quote either before its expiry date. The original hire agreement therefore remained unchanged.

At the end of May 2022, Ms P requested a new quotation to extend the hire period. The agent she spoke to on behalf of ALD wrongly informed her that the contract couldn't be altered due to the contract being close to ending. However, on review, ALD apologised to Ms P for this error and said it would honour the rescheduling quote it had sent her in March 2022 with the maintenance charge removed and a monthly payment of £218 for the duration of the extension. A rescheduling quote in those terms was sent to Ms P which was to commence at the beginning of July 2022.

Ms P signed and returned this rescheduling quote to ALD but requested that the maintenance term remain in place until the end of July 2022 as the car had been booked in for both a service and its MOT that month. The removal of the maintenance agreement meant these costs wouldn't now be covered as the car would be on a non-maintained contract for July.

ALD says it couldn't accept this signed agreement with an alteration as to when the maintenance term would be removed because any change had to be applied from the start of the modified agreement. ALD advised Ms P that if this reschedule quote was accepted

then the maintenance agreement would end in July 2022. It said that instead, she should contact it during July and seek another rescheduling quote to extend the hire agreement for 12 months from the start of August 2022. Ms P requested a new quote with a nine-month extension from August 2022. This was prepared and sent to her at the start of July. This rescheduling quote wasn't signed and returned.

As the signed rescheduling quote from June 2022 couldn't be accepted, ALD's computer system wrongly generated an invoice for £2,376.54 which was sent to Ms P. This was an error and later cancelled.

ALD says that without a signed agreement in place to extend the hire agreement, it was unable to extend the current contract with Ms P. And as the car was not then returned at the end of July 2022, Ms P's account automatically went into late charges which were around £322pm.

Ms P continued to use the car, but no payments to ALD were made. Arrears notices and default notices were sent to Ms P who complained to ALD about the monthly charges and its handling of the request to extend the agreement. She said it had accepted the agreement sent back to it in June 2022 but no request for payment had been made to her. Ms P said she found the arrears letters and default notices distressing.

In March 2023, ALD partially upheld Ms P's complaint and paid her £100 compensation for providing her with the wrong information in June 2022, when she had been told she couldn't vary the agreement and also for incorrectly sending her the invoice for £2,376.54. But it said that the late hire charges of £2,259.51 stood and should be paid and that the car should be handed back to stop further charges being incurred.

In January 2023, Ms P made a complaint to this service and at the end of March 2023 she made arrangements to return the car. Ms P said it would be fair for all of the outstanding hire charges on her account to be waived by ALD and for her to receive compensation of £654 to recognise that the car had been returned three months earlier than the contract term.

Ms P was also upset to receive an invoice from ALD for charges relating to April 2022 and raised that with it. ALD explained that due to the timing of the car being returned at the end of March, the April invoice had already been generated and sent but agreed to credit that amount back to her account. It also offered to honour the rental payments of £218pm as per the June quote and as a gesture of goodwill to credit her account with a further £1000. This left a balance of £823.82 to pay.

Ms P said she wanted her complaint to continue as she didn't think this offer by ALD was sufficient. She said all the outstanding charges should be waived and she should receive compensation for the way ALD had handled this matter. However, our investigator didn't recommend that ALD should do more and said she thought this offer was fair and reasonable in the circumstances.

Our investigator said she thought it was reasonable that ALD hadn't accepted the signed rescheduling quote in June 2022 from Ms P because of the change she wanted in respect of the maintenance term. Ms P hadn't then signed and returned the new quote that had been sent to her in July.

As Ms P had kept the car until March 2023 and ALD had offered to honour the terms of the June rescheduling quote, then our investigator said this was a fair and reasonable outcome.

Ms P disagreed with the view of our investigator. She said it was unreasonable for ALD not to have accepted the signed rescheduling quote she'd returned in June 2022 as the email

that had accompanied it from ALD had said it would be honoured upon her signing it. She said there had been no stipulations or clauses as to the maintenance agreement.

Ms P also said it was unfair not to have accepted this extension to the contract as requested by her in June 2022 because that the maintenance and MOT of the car was subject to an overriding agreement between the manufacturer and ALD. And that the maintenance term, which was billed separately, could be cancelled at any time. She said she would be happy to accept the removal of the outstanding charges but receive no compensation as a compromise.

As the parties were unable to agree the complaint has been passed to me.

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.

Under the personal hire agreement there is provision for the customer to request a variation of the agreement's term although ALD is not under an obligation to agree to do so. Any variation must be in writing and agreed by both parties.

When Ms P entered into the original hire agreement, she also chose to take out a maintenance agreement for the car for an additional monthly fee which was added to the total monthly rental cost. These agreements ran together, however, I've seen that the maintenance agreement could be cancelled and if it was it couldn't then be reinstated.

Ms P first raised extending the hire agreement in January 2022 and the process ALD follows is to generate a rescheduling quote as to the cost of that extension. The quotes will vary depending on the market conditions at the time. So, each quote has a time limit in which it must be accepted otherwise it will expire. If the quote provided by ALD is acceptable to the customer, then they sign it, return it to ALD and it becomes the modifying agreement for the original contract. The new term/s will then apply from the following month after the quote has been signed.

Ms P didn't sign and return the quotes she received from ALD in January and March 2022 and they duly expired. She asked again about extending the term in May 2022. ALD accepts that at first, she was given the wrong information about not being able to do so and has apologised for that. But a new quote was then generated in June 2022 although this time without the maintenance agreement element as per Ms P's request.

However, by modifying the hire agreement in July 2022 and changing the car from maintained to non-maintained would mean that the pre-booked service and MOT due to be carried out that month would no longer be covered by the maintenance agreement because it would no longer exist. I've seen that Ms P then requested that the rescheduling quote she had signed be altered to allow the maintenance agreement to run until the end of the month.

ALD has explained it wasn't able to accommodate that request and I've seen that it did notify Ms P of the impact of changing the agreement from a maintained car to a non-maintained in July. It also recommended that she seek another quote from it in July 2022 which would resolve this issue. I've seen that Ms P followed this advice by requesting another rescheduling quote later on although she didn't then sign and return it. I don't know why Ms P didn't take this action, but I think it's reasonable to say that she should have been aware that an amendment to the June 2022 quote couldn't be accepted by ALD. And that for her to achieve what she wanted regarding the maintenance agreement this required another later quote to be signed so that the extension kicked in at the end of July 2022.

I've seen that Ms P says ALD should have accepted the rescheduling quote she had signed in June 2022 as the modifying agreement and that it has acted unreasonably but not doing so. But I disagree. This quote would have changed the contract from being a maintained car to a non-maintained one from July 2022 because that was what had been quoted for at the request of Ms P. But as Ms P had then sought to alter that, the quote she signed in June 2022 no longer applied.

I also don't think that ALD's promise of honouring the quote once signed as set out in the email that accompanied this June quote applied if the terms were then altered by Ms P. And while I appreciate the maintenance contract can be removed separately this is still a change and has an impact on the rental costs. And I'm not surprised that ALD isn't able to offer a modified agreement that has a term ending at a different time to other terms and conditions. I also don't think that just because the accompanying email from ALD didn't specifically state that Ms P couldn't alter the terms of the quote provided meant she could and ALD would be bound to accept that.

Ms P has said there is an overriding agreement between the manufacturer and ALD for the maintenance and MOT of the vehicle, but I haven't seen any evidence of any such agreement. It's the maintenance agreement that a customer can opt to take out and which is added to the monthly rental and paid for by them that covers these costs.

So, I don't think ALD has acted unreasonably here, it was unable to accept the signed June 2022 rescheduling quote and provided her, at her request, with another quote that would have extended the agreement's term from the beginning of August 2022 without the maintenance agreement in place as she wanted. And as Ms P didn't sign and return that quote, then, as per the terms and conditions, ALD wasn't able to extend the contract when it ended in July 2022.

As the hire agreement hadn't been extended, I don't agree with Ms P that it had ended three months early when she handed the car back meaning that compensation for loss of use is due. I don't think there was an obligation on ALD to provide the car to Ms P up until July 2023.

I don't know exactly what happened after the rental agreement ended as to why the arrears built up as they did on Ms P's account or why there was a gap in the parties speaking with each other. I've seen Ms P says she wasn't asked to make payments for the car. So, it appears that communication between ALD and Ms P had broken down. However, I've seen that ALD has on review, reduced the outstanding balance on Ms P's account to £823.82 by charging the monthly rentals that were quoted in June 2022 from August until the car was returned and in addition has removed a further £1,000 from the outstanding amount. As I wouldn't have asked ALD to do more than it already has even if I had found its actions were at fault over this (and I make no such finding) I therefore don't need to look into this further. I think that ALD's actions of reducing the balance on this account are fair and reasonable in all the circumstances and I 'm not asking it to do more.

My final decision

For the reasons set out above, I'm not upholding Ms P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 13 September 2023.

Jocelyn Griffith
Ombudsman