

## **The complaint**

Mr T complains about the vehicle tax charges in relation to a car that was supplied through a hire agreement with Ald Automotive Limited (ALD).

## **What happened**

Mr T hired a car through a hire agreement from ALD.

Mr T complained to ALD about the increase to the road fund licence for his hired vehicle, as a result of an increase to the P11D value of the car. Mr T said he felt it was unfair that he had to pay it, that he wasn't given the appropriate notice and believes ALD should absorb the charge for this.

In February 2023, ALD issued their final response to Mr T's complaint. They upheld it in part. ALD explained that it was the manufacturer that increased the P11D value of the car in excess of £40,000 which pushed it past the threshold for a higher road fund licence fee. ALD said they acted fairly by passing the fee on to Mr T. However, ALD accepted that they didn't give Mr T a minimum of 30 days' notice before deducting the increased amount so agreed to refund the amount to him.

ALD however, said that Mr T would be liable for future road fund licence fees at the higher rate.

Unhappy with their decision, Mr T brought his complaint to our service for investigation. Mr T said the impact of having to pay a higher rate caused him financial stress and uncertainty. Our investigator recommended that Mr T's complaint should be upheld. Our investigator said ALD should pay Mr T £100 in addition to the refund of £365 in compensation for the distress and inconvenience caused. Our investigator also concluded that the higher road fund licence shouldn't apply.

Mr T accepted this recommendation. ALD however didn't respond. So, the case has been passed to me to make a final decision.

## **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 considered all the evidence provided, I arrived at a different outcome to our investigator. I wrote to both parties to explain why I was proposing not to uphold the complaint. I also gave each party an opportunity to comment, prior to me issuing my final decision.

ALD accepted my proposed outcome. Mr T didn't. He said *if the vehicle was always in the higher tax bracket...the Road Fund Licence fee should also have been calculated at the*

*higher amount. It cannot simultaneously be in the higher tax bracket and attract a lower Road Fund Licence fee.*

Now both sides have had an opportunity to comment, I can go ahead with my final decision.

In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

The agreement in this case is a regulated hire agreement. As such, this service is able to consider complaints relating to it.

Mr T's complaint revolves around having to pay an increased road fund licence, which is more commonly referred to as road tax, so to keep things simple I've referred to it as that for the remainder of this decision

According to the road tax information provided on gov.uk, cars registered on or after 1 April 2017 must pay a first-year tax rate of which the calculation is based on the vehicles CO2 emissions. The subsequent years tax is a flat rate based on its fuel type. However, it also says that vehicles with a list price in excess of £40,000 would have to pay an additional amount annually from year two, for the following five years.

Mr T and ALD have referred to the P11d value of the vehicle, however I think there appears to be some confusion between a P11d vehicle value and the list price. The P11d value tends to be a combination of factors like the vehicle's list price, any delivery charges and add ons. However, according to gov.uk the additional road tax charge, from year two onwards for vehicles in excess of £40,000, is calculated based on the list price of a vehicle.

ALD have confirmed that the current vehicle's value is in excess of £40,000. Mr T has also confirmed that on his online contract confirmation the value was also in excess of £40,000. So, I think it's likely from the evidence provided that the vehicle was always valued at that amount.

In his response to my initial findings Mr T suggests that the road tax would have been higher in the first year, had the car been priced correctly. However, as the first year's road tax charge would differ to the subsequent years, I'm satisfied that the additional charge applied in the second year would not be applicable in the first year, and so was correct.

The terms of Mr T's hire agreement say:

*If it is reasonable to do so we can vary the Regular Payments by giving you at least 30 days written notice solely to the extent necessary to respond to a variation in the following:*

- *Any change in Vehicle Excise Duty, VAT or any other applicable tax; or;*
- *Any increase in the cost of the Vehicle to us, whether due to import tariffs, other statutory charges and/or manufacturer price increases.*

So, I'm satisfied that the road tax charge applied to Mr T's repayments were in accordance with the terms of the hire agreement, and was applied fairly by ALD.

All things considered, I'm persuaded from the evidence provided that the car's list price was in excess of £40,000 when it was supplied and so was always subject to the additional road tax charge.

As I've found that Mr T's car was liable for the additional charge, I think it's fair that it was passed on to him by ALD. However, I acknowledge ALD gave Mr T insufficient notice of the charge and so chose to refund the amount on this occasion. I think the refund of £365 is a fair recognition of any inconvenience caused to Mr T. And so, in the circumstances I won't be instructing ALD to do anything more in relation to this complaint.

### **My final decision**

Having considered everything above, along with what is fair and reasonable, in the circumstances, my final decision is that I don't uphold Mr TY's complaint against Ald Automotive Limited

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 11 August 2023.

Benjamin John  
**Ombudsman**