

The complaint

Mrs B has complained to us about the way in which Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services ('VWFS') administered an agreement.

What happened

In October 2019 Mrs B and VWFS entered into a hire agreement for a new car. The monthly payments were set at £280.

In May 2022 Mrs B contacted VWFS to ask for an extension to her agreement. Mrs B was expecting a new car, which she'd been told would be delayed to August or September. VWFS agreed and the new hire end date was set to 16 November 2022.

However, due to an administrative error, the direct debit for the monthly payment under the agreement was not set up. Because of this, the last direct debit collected was on 1 April 2022.

Mrs B returned the car in November 2022. Following inspection, the right hand flasher side repeater on the wing mirror was found to be broken. Under the agreement, this resulted in a charge to Mrs B of £35.13. VWFS also billed Mrs B £1568.44 for the extra days of hire of the car. Mrs B was unhappy with this so she complained to VWFS. Then the money for both the extra days and the broken repeater were taken by direct debit from Mrs B's account in December. With the agreement of VWFS that the debt was in dispute, she contacted her bank to arrange for the return of the monies.

Mrs B remained unhappy with the charges for the extra days of hire car and said they should be waived. VWFS sent Mrs B its final response on 15 of December 2022. In summary it said it had asked Mrs B for some further information in order to process the extension, but this hadn't been received. It said it would waive the charge for the broken side repeater as a gesture of goodwill. It said it did not agree that there had been any poor service. And it said that it had warned Mrs B in a letter dated 22 of November 2022 that it was going to collect the charges within 14 days.

Mrs B brought her complaint to our service. In its response, VWFS explained the extension was in fact not set up due to an administrative error and the information about this in its final response was wrong.

Our investigator issued an opinion. In summary she said she thought it would be reasonable for Mrs B to pay for the extra days of hire because she had had use of the car. In addition, she said that VWFS had made errors. And it would be reasonable for VWFS to pay Mrs B £150 as compensation to reflect the impact on Mrs B.

VWFS accepted our investigator's opinion and confirmed no adverse information would be

recorded on Mrs B's credit file in relation to the extra hire period. Mrs B remained unhappy so the complaint 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.

B complains about a hire agreement. Entering into regulated consumer credit contracts such as this as a lender is a regulated activity, so I'm satisfied I can consider Mrs B's complaint against VWFS.

As VWFS has waived the charge for the repeater, I won't deal with that issue in this decision. Instead, I'll look at the issues of the charges for the extra days of hire and distress and inconvenience.

VWFS told us that had the extension been processed in May, Mrs B would have paid £1,680 in total for the six further months she'd requested.

But Mrs B has been invoiced £1568.44, less than she would have paid, had the extension been set up properly. So I can't see that she has lost out there.

I think it wouldn't be Mrs reasonable for Mrs B to have the car for six months without paying for it. Given that Mrs B had the use of the car, I'm satisfied that it's fair that she should pay for it and I think VWFS has acted reasonably in calculating the amount she owes.

Next I've considered the situation and the distress and inconvenience caused to Mrs B. I've considered that VWFS took a lump sum out of Mrs B's bank account close to Christmas, so it was at a time of year when most people have higher than usual expenses. And in terms of the overall situation, Mrs B told us that she had to chase VWFS on numerous occasions with no response. It seems likely to me that all of this would have been particularly stressful. So looking at everything in the round, I think that £150 is an appropriate amount to reflect what has happened.

Based on the poor service she's experienced, Mrs B has told us she has concerns that the VWFS collections department isn't going to be reasonable about her ability to repay. She has described them as "not capable." However Mrs B can be reassured that if a borrower is in financial difficulty, good practice for this is set out by the Financial Conduct Authority ('FCA') in the Consumer Credit Sourcebook ("CONC"). I'd like to respectfully remind VWFS that requirements include acting with forbearance and due consideration. This would include the arrangement of an affordable repayment plan, if appropriate.

Putting things right

Volkswagen Financial Services (UK) Ltd must put things right by paying Mrs B £150.

My final decision

My final decision is that I uphold this complaint and I instruct Volkswagen Financial Services

(UK) Ltd to put things right by paying Mrs B £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 16 January 2024.

Katrina Hyde
Ombudsman