

## The complaint

Mrs P complains about the amount that she's been charged by Volkswagen Financial Services (UK) Limited for a car that was supplied to her under a hire purchase agreement. Her husband is also involved with her complaint.

## What happened

A new car was supplied to Mrs P under a hire purchase agreement with Volkswagen Financial Services that she signed in March 2021. She complained to Volkswagen Financial Services later that month because she'd entered into the agreement following its *"Three months on us"* advertising campaign and she wasn't happy with the payments that she was making. It said that the first three monthly payments were removed from the total amount of the finance and that the first three monthly rentals were charged at £0. It also explained how the price of the car had been calculated.

Mrs P wasn't satisfied with its response so complained to this service and says that Volkswagen Financial Services should pay for the first three monthly instalments. Our investigator didn't recommend that her complaint should be upheld. He didn't think that she'd lost out financially as she'd received three months free, but the saving was spread over the term of the agreement.

Mrs P's husband, on her behalf, has asked for this complaint to be considered by an ombudsman. He has responded to our investigator's recommendations in detail and says, in summary, that:

- he phoned Volkswagen Financial Services and it said that calls are recorded but can't now produce the recording of the call;
- the quote that was given said that Volkswagen Financial Services would pay for the first three months and states an interest rate of 2.9% but doesn't say that it's a reduced interest rate;
- he was told at least four times that Volkswagen Financial Services would pay the first three instalments and it's not acceptable that the offer is confusing;
- he looked at the total amount borrowed and was led to believe that, if the agreement was settled early, three payments would have been made by Volkswagen Financial Services which would reduce the settlement figure accordingly;
- even if Mrs P would have bought the car anyway, it's not acceptable for Volkswagen Financial Services to be misleading and confusing;
- Mrs P entered into the agreement on the basis of the personal quote which said *"we make a further contribution of £261 and pay your first 3 month's instalments"*; and
- many people will have been subject to the same promotion believing that Volkswagen Financial Services paid their first three month's instalments.

## 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 done so, I agree with the outcome recommended by our investigator for these reasons:

- Mrs P's husband has provided a copy of the quote for the car from the dealer which says: *"Alternatively you could opt for our 3 On Us Deal, discount £1,961, deposit contribution £1,500, we make a further contribution of £261 and pay for your first 3 months instalments, interest rate 2.9%, amount financed £19,674, a deposit of £200 reduces the amount financed to £19,474 ... [over] 3 years would calculate to £345.88 [per month]"*;
- Mrs P signed the hire purchase agreement which showed the price of the car as £21,112 and an advance payment of £1,638 so the amount of credit was £19,474 and the APR was 2.9% - it showed that the total amount payable was £22,391.16 and that Mrs P was to make 32 monthly payments of £345.88 and a final payment of £9,675 (there was also a £10 option to purchase fee);
- the agreement said: *"You must pay the Advance Payment to us when you sign this Agreement. You must then make: one payment of £0 ... followed by 32 monthly repayments of £345.88 ... save that there will be a Payment Holiday in month(s) 1,2 and 3; followed by a final payment of £9,675 ..."*;
- the term of the agreement was 36 months but Mrs P was only required to make 32 monthly payments of £345.88 (and a final payment of £9,675) and no monthly payment was due from her for the first three months - so there were three months when she wasn't making a payment;
- the monthly payment of £345.88 was the same as the monthly payment set out in the quote;
- I consider that the terms of the *"Three months on us"* offer weren't as clear as they could have been and that both the quote and the provisions of the hire purchase agreement could have been more clearly presented – but I'm not persuaded that there's enough evidence to show that Mrs P has been charged the wrong amount for the car;
- Mrs P signed the hire purchase agreement and, in doing so declared that she agreed to be legally bound by its terms;
- if the payment arrangements set out in the agreement weren't what Mrs P was expecting or they weren't acceptable to her, I consider that it would be reasonable to expect her not to have signed the agreement and to have raised any issues with Volkswagen Financial Services before the car was supplied to her;
- Volkswagen Financial Services has explained that the total price of the car was £23,175, there was a new car discount of £2,001, a dealer contribution of £261 and a contribution from Volkswagen Financial Services of £1,239 which reduced that price but, when the cost of the service plan, road fund licence and first registration were added, the price of the car was £21,112 which was the price shown on the agreement;
- the amount of credit shown on the agreement was £19,474 which is the same as the amount to be financed as shown on the quote;
- I'm not persuaded that there's enough evidence to show that Volkswagen Financial Services has acted incorrectly in these circumstances; and

- I find that it wouldn't be fair or reasonable for me to require Volkswagen Financial Services to change the payments set out in the agreement, to pay any compensation to Mrs P or to take any other action in response to her complaint.

**My final decision**

My decision is that I don't uphold Mrs P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 19 April 2022.

Jarrold Hastings

**Ombudsman**