

The complaint

Ms G complains about the interest calculation in relation to a Conditional Sale Agreement with Close Brothers Limited (CBL)

Ms G has been represented on this complaint. But to keep things simple I'll only refer to Ms G in my decision

What happened

Around June 2023, Ms G entered into a Conditional Sale Agreement with CBL to acquire a used car. The total cash price of the goods is listed on the agreement as £21,250. An advanced payment is listed as £8,000, which included a trade in amount of £5,000. So the total amount financed on the agreement was £13,250 payable over 47 repayments of £262.99, with a final payment of £6,637.99.

The mileage of the car on the agreement is listed as 4,500 and the car was around six years old.

Ms G complained to CBL that the interest payable on the agreement was incorrect. She believed the interest rate of 7.20% meant the amount of interest payable should be £3,792 and not £5,398.52 as was listed on the agreement.

In October 2023 CBL issued their final response to Ms G's complaint. In summary, it said the annual percentage rate (APR) of 15% listed on the agreement was a more accurate picture of the total cost of borrowing over the course of the loan because it included additional costs such as organisational fees or service charges. CBL didn't uphold Ms G's complaint.

Unhappy with their decision, Ms G brought her complaint to our service for investigation. She said no one has been able to explain to her in clear terms the calculations used to arrive at the interest amount of £5,298.52.

Having reviewed all the information on file, one of our investigators recommended that Ms G's complaint should not be upheld. The investigator concluded that the explanation given by CBL in their final response was fair and reasonable.

Ms G didn't accept the investigator's assessment. She said she felt CBL should be able to demonstrate how they arrived at the figure. However, as the investigator's view remained unchanged, Ms G asked that her complaint be referred to an ombudsman for 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.

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.

Ms G complains about a conditional sale agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Ms G's complaint about CBL.

Ms G complains that CBL were unable to provide her with a satisfactory explanation of the calculation of the interest on her agreement.

The Consumer Credit Sourcebook (CONC), which can be found within the Financial Conduct Authority's (FCA) handbook, says that a business must ensure that a communication or a financial promotion is clear, fair, and not misleading.

So, I've thought about whether CBL provided a clear enough explanation of the interest calculation for Ms G.

In an email to the investigator in February 2024, Ms G said that all she wanted was for CBL to demonstrate how they calculated the interest on her agreement. Ms G confirmed to CBL in an email to them dated 1 August 2023 that she calculated the interest herself as £3,792 using the interest rate of 7.2%.

Ms G shared her means of calculation; however, I'm not persuaded this was necessarily correct in the context of the interest calculated for the agreement. For example, the calculation of interest can vary on credit agreements, depending on how the interest is applied or arranged.

In their final response CBL gave an outline of what the APR reflects in context to the interest rate. However, I acknowledge they didn't provide a breakdown of the interest calculation to the degree that Ms G was expecting.

Having thought about everything, I think it's reasonable that CBL are transparent about the interest charges they apply to the credit, but I'm not persuaded they are necessarily obliged to provide a full breakdown of their calculations.

Having reviewed the credit agreement; I can see that the front page provides an explanation of the interest rate and the APR applicable to the credit. It also gives a monetary value of the interest that will be applied. So, I'm satisfied the interest rates and related charges are suitably transparent and that Ms G had the option to proceed with the agreement or not, if it was something she disputed or disagreed with.

And although I recognise Ms G wanted more of a detailed breakdown, I haven't seen on the agreement or its terms that CBL are obliged to provide this level of detail.

The main obligation in relation to interest rates and charges is that they are applied fairly and presented in a way that is clear and not misleading. In the circumstances of this complaint, I'm satisfied that CBL have done so. It follows that I've no reason to doubt the accuracy of the interest charges that have been applied to Ms G's agreement.

As I've concluded that the interest charges on the Conditional Sale Agreement are reasonably transparent and have been fairly applied, I don't require CBL to take any action in respect of this complaint.

My final decision

My final decision is that I don't uphold Ms G's complaint about Close Brothers Limited

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 28 October 2024.

Benjamin John
Ombudsman