

The complaint

Mr S complains that 247 Money Group Limited trading as 247 Money “247 Money” provided him with an inaccurate early settlement quotation in relation to an agreement he took out with them.

What happened

In August 2022, Mr S acquired a used car using a hire purchase agreement with 247 Money.

In August 2023, Mr S received a settlement figure of £9,186.73 for the agreement. It explained the figure was valid until September 2023.

Mr S complained to 247 Money after receiving the settlement figure as he was unhappy with the figure he was given and the amount of interest he had paid. Unhappy with how long 247 Money were taking to respond to his complaint, Mr S referred his complaint to our service.

In November 2023, 247 Money said they sent Mr S their final response. 247 Money believed no errors were made with the settlement figure given to Mr S. They explained that their settlement figures were system generated and that their loans were precompute loans, where the interest was added at the start of the agreement. 247 Money didn’t uphold Mr S’s complaint.

Our investigator didn’t uphold Mr S’s complaint. In summary, she said that Mr S was one year into a five-year agreement, and that the loan taken out was structured in such a way that in the early stages, more of each monthly repayment went to paying the interest, and that this would have changed throughout the term of the loan as the outstanding balance reduced. Our investigator went on to say that the letter Mr S received about the settlement figure in August 2023 said that the figure was calculated using a formula which was set out in the Consumer Credit (Early Settlement) Regulations 2004 (“CCR”).

Mr S disagreed with the investigator’s findings. Among other things, he said that he didn’t believe the investigator took into consideration the delays 247 Money took in responding to him. Our investigator in response provided a copy of the final response which was addressed to Mr S in November 2023.

As Mr S disagreed with the investigator’s findings, the complaint was 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.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual point or argument to be able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Mr S complains about a settlement figure he was given in relation to a hire purchase agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mr S's complaint about 247 Money.

The Consumer Credit Act 1974 ("CCA") covers several areas of consumer credit including the content and form of credit agreements and the procedures relating to early settlement. The CCA says that settlement figures should be calculated using rules set out in the CCR.

The settlement figure is the amount a borrower needs to pay to clear a loan balance. It's based on the total amount payable, less any payments a borrower has already paid. The remaining sum may then be reduced by a 'rebate' of the remaining interest, to give a final settlement figure.

If a borrower intends to repay all of a loan early, they may not have to pay the interest they would need to pay in the future if the loan ran for its full term. This saving is called a rebate. If a rebate is due, the lender will apply a mathematical formula which is set out in the CCR to work out what the rebate should be. The formula works out how much of the amount borrowed is left to be repaid and how much of the future interest and charges will no longer need to be paid, if the loan is settled by the settlement date.

So, in this instance, what I need to consider is whether 247 Money acted fairly when they gave Mr S his settlement figure in August 2023.

247 Money gave Mr S a settlement quote in August 2023, which Mr S believes has been calculated incorrectly. On the other hand, 247 Money say the calculation to determine the settlement figure is system generated and that they don't believe any errors were made with the settlement figure.

I have no reason to think that the settlement calculation carried out by 247 Money is incorrect. I think it is fair to suggest that this fairly complex calculation will be automated and audited to ensure its accuracy.

At the point the settlement quotation was provided, Mr S was one year into a five-year agreement with 247 Money. It is worth pointing out that commonly, loans are based on an 'amortisation' schedule. What this means is that each monthly instalment is made up of some of the amount originally borrowed – the capital; and some of the interest and charges. While loan repayments may be for a fixed amount, in the early stages of a loan term, more of each monthly statement goes on paying the interest – because it's calculated based on the outstanding balance. And, understandably, the outstanding balance will be higher at the start. As the loan term progresses, and the remaining balance reduces, more of the payments being made goes towards paying off the capital element of that balance.

I don't therefore think there is evidence 247 Money has done anything wrong here. They have applied the correct legislation and I'm not asking them to take any further action.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 6 January 2025.

Ronesh Amin
Ombudsman

