

The complaint

Mrs L complains that Honda Finance Europe Plc trading as Honda Financial Services (“Honda FS”) has charged interest on a hire purchase agreement she had entered to purchase a used car.

What happened

Mrs L was supplied with a used car via a hire purchase agreement in July 2020. The agreement shows that the purchase price of the car was £11,670 against which Mrs L traded in her current car to provide a deposit of £4,250. So that left a shortfall of £7,420 that was funded via the hire purchase agreement. The agreement shows that interest of £600.20 would be charged on the credit that Mrs L agreed to repay in 60 monthly instalments of £133.67.

Mrs L says that at the time she agreed to purchase the car, the selling dealership was running a promotion offering 0% interest on new agreements. She says that she queried the additional £600 charge at the time and was told it was a shortfall in the value of the deposit she had paid. Mrs L says that if she had been aware that it was an interest charge she wouldn't have continued with her purchase.

In early 2024 Mrs L complained to Honda FS about what had happened. She says she was told that the interest related to a “hybrid charge”. But Honda FS told Mrs L that the interest being added to her agreement was clearly set out in the paperwork she had signed, and that had been sent to her to review after its completion. So Honda FS didn't think it had done anything wrong. Unhappy with that response Mrs L brought her complaint to us.

Mrs L's complaint has been assessed by one of our investigators. He thought that the evidence suggested that Mrs L had been given sufficient information about the interest she would be charged before the agreement was signed. So he didn't think that the agreement had been misrepresented, or that the complaint should be upheld.

Mrs L didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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 deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs L and by Honda FS. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Mrs L was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

There is little evidence detailing any discussions that Mrs L had with the selling dealership before the car was supplied to her, and the hire purchase agreement was signed. I am also mindful that those discussions took place more than four years ago. Over such an extended period of time even the most careful of memories can, and do, fade. But I do have the paperwork that was produced at the time. Mrs L was given copies of it before and after she signed the agreement. So I am satisfied that she would have had sufficient time to read, and understand, the terms of the agreement.

My understanding is that the dealership that sold the car to Mrs L was running some promotions at that time. For some cars it was offering loans that were all, or partly, at 0% interest. But those loans had a maximum borrowing amount, dependent upon the term of the loan. Mrs L took her loan over a five-year repayment period, so the maximum she could borrow at 0% interest was £6,000. As I have explained earlier, Mrs L borrowed £7,420, so the additional borrowing above £6,000 attracted interest at 3.15% - I think that is what Honda FS meant when it called the loan a hybrid agreement. That meant that, over the term of the agreement, £600.20 interest would be added to Mrs L's borrowing – increasing her repayment by around £10 per month.

I think the copy of the agreement that was given to Mrs L set out the key information in a regulated and consistent manner. Specifically in relation to this complaint it told her the amount of interest that would be added to her loan, and that she would need to repay. So I'm not persuaded, as Mrs L recalls, that she would have been told that amount was an additional deposit payment she needed to make. The deposit that was required was shown separately on the agreement, and amounted to the £4,250 trade in allowance she had been given on her old car.

Mrs L says that, if she had been made aware that interest was payable on the loan, she wouldn't have proceeded with the purchase. On balance I am not persuaded that is a likely reflection of what would have happened. In my experience the over-riding factor when agreeing a new finance agreement is the monthly repayment, and whether that is affordable. Here the addition of the interest added around £10 per month to Mrs L's repayment. And it seems she found the overall repayment to be both acceptable and affordable.

So, whilst I appreciate this decision will be disappointing for Mrs L, I am satisfied that she was given sufficient written information for her to be aware that some interest was being charged on her hire purchase agreement. Whilst I cannot be sure what she was told verbally, I am not persuaded that different information would have caused her to reach a different decision about taking the hire purchase agreement.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against Honda Finance Europe Plc trading as Honda Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or

reject my decision before 13 November 2024.

Paul Reilly
Ombudsman