

The complaint

Mr M complains that Donnelly Bros (Honda) Ltd (Donnelly Bros) provided him with wrong information when he entered into a hire purchase agreement to acquire a car from them.

What happened

In February 2023 Donnelly Bros supplied Mr M with a used car through a hire purchase agreement. The agreement was a Personal Contract Purchase (PCP) agreement. He paid an advance payment of £8,500 and the agreement was for £37,015 over 49 months; with 48 monthly payments of £304.66 and a final payment of £13,892.

Mr M said that he had been told by Donnelly Bros that the agreement he was entering into was the same as the one he previously had with a different finance provider. He said he'd told Donnelly Bros that it was important to him that the agreement was the same type as he intended to pay additional lump sums to reduce the capital, and settle the agreement early.

He said he was told by the finance provider that he could make payments to reduce the capital, but in December 2023 he was told this was no longer possible. He said he contacted Donnelly Bros and asked if he could transfer his agreement to the previous finance provider. He said they told him they could do this, but he would be charged a fee of £500.

Mr M said he only wanted to be able to make the payments he did with the previous finance company. He said the previous finance company had confirmed they accept partial payments to reduce monthly instalments, reduce the term of the agreement, or, in the case of a PCP, reduce the balloon payment. He said Donnelly Bros didn't tell him the current provider didn't allow this so they failed to provide him with the correct information about the agreement and payment terms.

Donnelly Bros said that they provided Mr M with relevant information before he entered into the agreement. They said they provided him with their "*Status Disclosure Document*" and information about the two products: hire purchase and PCP. They said they also provided quotations for both products to Mr M. They said he chose the PCP product, and they sent him the detailed summary of the PCP agreement and the relevant pre-contract information.

They said Mr M contacted them after the finance provider had told him it couldn't accept non-scheduled payments. They said they contacted the finance provider and confirmed the reason why it wouldn't accept unscheduled payments.

They said Mr M asked if they could transfer the finance on the car to the finance provider his previous agreement was with. They said they could, but it would require them to buy the car back from him, settle this finance agreement, then sell the car back to him using a finance agreement from the other provider.

They explained that as part of the process they would need to extend the warranty and carry out a vehicle health check. This would cost £500. They said Mr M didn't accept this.

Mr M was unhappy with this response, so he referred his complaint to our service for investigation.

Our investigator didn't uphold his complaint. She said Donnelly Bros provided the information about the options to Mr M. She said she hadn't seen anything to show that Mr M had specifically asked about how to reduce the balloon payment.

She acknowledged that Mr M felt the £500 charge was unfair but said Donnelly Bros option to unwind the agreement was reasonable.

Mr M didn't agree with the investigator. He said he'd been told the agreements were exactly the same and that's why he'd went ahead.

Because Mr M didn't agree, this matter has been passed to me to make 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

In considering this complaint I've had regard to the relevant law and regulations. Mr M was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

If Mr M was told something that was false and that led him to enter into a finance agreement he would not otherwise have entered into then I would think the agreement had been misrepresented to him and I'd ask Donnelly Bros to take action to resolve this.

Mr M said that he was told by Donnelly Bros that the agreement he was entering into was exactly the same as the one he had previously. As this was a discussion in person there's little evidence of what was asked and what was said in reply.

So I've carefully considered the information provided by both parties. Mr M said that the previous finance agreement included a balloon payment. So I can see why Donnelly Bros *may* have said the agreement was the same: that's because it appears that both agreements were PCP agreements.

He said he told Donnelly Bros that he settled the previous agreement by taking out another loan from another provider and paid the PCP agreement two years early. I wasn't present at that discussion, but I think it would be reasonable for Donnelly Bros to say that was possible with the new agreement: that's because there is an early settlement option in the terms of the agreement. And it appears from what he's told me that is what Mr M has now done with this agreement.

More importantly, the “*key facts*” document that Donnelly Bros provided to Mr M before the sale sets out what Donnelly Bros can and cannot do. It confirms that:

“We will NOT provide ADVICE or RECOMMENDATION in relation to any finance or insurance product”.

That document provided further information about the PCP product he had been offered. This included quotations for a standard hire purchase agreement, and the PCP agreement, and a description of a PCP.

Mr M said that he asked Donnelly Bros if he could make payments early. The description of the PCP in the key facts document included the following statement:

“You can partially or fully settle a PCP agreement at any time, but should check the terms and conditions of the agreement as each finance company has its own procedures on how to do this”.

Additionally, the finance provider has confirmed that Mr M was able to make partial payments towards the normal repayments, but not towards the balloon payment.

So I’m satisfied Donnelly Bros did not provide wrong or misleading information to Mr M. I think it’s more likely than not that he was given reasonable answers to his questions by Donnelly Bros, and sufficient information in the important documentation he was given prior to the purchase. This set out the limitations in advice that Donnelly Bros could provide, and what information would need to be sought from the finance provider.

Mr M is also unhappy that Donnelly Bros are charging him £500 for a “*health check*”. They’ve explained why they’re charging this – as part of the process to refinance the agreement. As it was Mr M’s choice to refinance I think it’s reasonable that Donnelly Bros charge for the service they provide.

My final decision

For the reasons explained, I don’t uphold Mr M’s complaint about Donnelly Bros (Honda) Ltd.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 22 November 2024.

Gordon Ramsay
Ombudsman