

The complaint

Mr G complains that the conditional sale agreement ("agreement") he entered into with Volvo Car Financial Services UK Limited ("Volvo") fails to make clear the cost of settling it early and when he was ultimately informed of the cost of doing so Volvo failed to advise him that he could delay settlement by 58 days at no extra cost.

What happened

On 25 August 2023 Mr G entered into an agreement with Volvo for a used car costing £46,000.00. Under the terms of this agreement, everything else being equal, Mr G undertook to make an advance payment of £41,000.00 followed by 60 monthly payments of £109.45 making a total repayable of £47,567.00 at an APR of 11.9%.

Under the terms of the agreement Mr G had a number of rights including the right to settle the agreement early by paying to Volvo all the amounts payable under the agreement less a rebate.

On 25 September 2023 Mr G called Volvo for an early settlement figure in respect of the agreement. This was confirmed by Volvo as being £5,136.48 which Mr G paid.

On 26 September 2023 Volvo credited to Mr G's agreement the sum of £5,136.48 clearing the balance due and owing under it to £0.

On 26 September 2023 Volvo sent Mr G a letter confirming that to settle the agreement he needed to pay £5,136.48 broken down as follows:

- | | |
|-----------------------|-------------|
| • outstanding balance | £6,567.00 |
| • rebate | (£1,430.52) |
| • settlement figure | £5,136.48 |

This letter went on to explain:

- that the settlement figure was based on a settlement date of 22 November 2023 (58 days from 26 September 2023 inclusive) and takes into account all transactions up to and including 25 September 2023
- in calculating the settlement figure Volvo had taken into account all relevant legislation, specifically:
 - the Consumer Credit (Early Settlement) Regulations 2004
 - the Consumer Credit (Settlement Information) Regulations 1983
- Mr G could settle the agreement before the settlement date if he wished to

On 28 September 2023 Mr G called Volvo to query how the settlement figure of £5,136.48 had been calculated but he ultimately agreed to wait receipt of Volvo's letter dated 26 September 2023, which on 28 September 2023 he had yet to receive.

On 2 October 2023 Mr G called Volvo to complain that that the agreement he entered into with it fails to make clear the cost of settling early (a cost which includes the application of 58 days additional interest) and that he hadn't been advised by it, on 25 September 2023, that he could delay settlement by 58 days (to 22 November 2023) at no extra cost.

On 25 October 2023 Volvo issued Mr G with a final response letter ("FRL"). Under cover of this FRL Volvo confirmed it didn't uphold Mr G's complaint.

On 20 November 2023, and unhappy with Volvo's FRL, Mr G referred his complaint to our service.

Mr G's complaint was considered by one of our investigators who came to the view that:

- the settlement figure of £5,136.48 had been correctly calculated by Volvo
- there are no errors or omissions in the agreement terms and conditions including, but not restricted to, the terms and conditions pertaining to the cost of settling it early
- Volvo failed to advise Mr G (on 25 September 2023 phone call) that he could defer early settlement by 58 days at no extra cost and this failure caused Mr G to suffer a loss
- Volvo should pay Mr G £38.77 in 'lost' interest ($£5,136.48 \times 4.75\% \times 58/365$ days)
- Volvo should pay Mr G interest at 8% a year simple on the sum of £38.77 from the date Mr G paid Volvo the settlement sum of £5,136.48 to the date the refund of £38.77 is paid to Mr G

Volvo accepted the investigators view but Mr G didn't. And because of the latter Mr G's complaint has been passed to me for review and 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.

When deciding what is a fair and reasonable outcome to complaints, I'm required by DISP 3.6.4 R of the Financial Conduct Authority's ("FCA") Handbook to take into account:

"(1) relevant:

(a) law and regulations;

(b) regulators' rules, guidance and standards;

(c) codes of practice; and

(2) (where appropriate) what [the ombudsman] considers to have been good industry practice at the relevant time."

First I should make it clear that the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. I don't perform the role of the industry regulator and I don't have the power to make rules for financial businesses or to punish them. As such it's not for me to comment on the law, save for its relevance to this complaint.

Secondly, I would like to acknowledge that I've summarised Mr G's complaint in far less detail than he has and that I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here.

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

Finally, I would also like to add that where the evidence is incomplete, inconclusive, or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I appreciate the points Mr G has made in his very detailed submissions to our service, but I don't consider I can uphold his complaint that the agreement, in how it has been drafted, is 'deficient'.

As Mr G is aware the agreement, at 2.7, states:

"You may repay all amounts payable by you under this agreement early, either in part or in full, by giving notice in person or in writing, either posted or handed in to [address], by telephone on [number] or by e-mail at [address] and by repaying the appropriate amount, which may include a rebate."

This term, read in context with the Consumer Credit (Early Settlement) Regulations 2014, means Volvo is entitled to defer the settlement date by 28 days and a further 30 days for agreements lasting longer than one year.

On the matter of disclosure, the relevant legislation doesn't require the details of the early termination calculations to be set out in the agreement or accompanying documentation. So what this means is that Volvo is not obliged to detail how early terminations sums are calculated.

As such, I'm satisfied that in drafting the agreement Volvo has complied with the relevant legislation and regulations and has done nothing wrong in failing to include more information around early termination including the information suggested by Mr G be included.

It's not clear whether Mr G requires me to address his submission that prior to entering into the agreement he was advised by the dealership that if he was to settle the agreement after one month he would only be required to pay one month's interest. But for the sake of completeness I think I should.

Now I accept I can't say for certain Mr G wasn't advised by the dealership what he says he was, or what he might have done differently had he not been advised what he says he was. But the difficulty for Mr G is that by their very nature alleged verbal representations are hard to substantiate.

Furthermore agreements being settled in the manner that his was settled (with 58 days additional interest being charged) has long been the case and something that in my view is well known to both finance providers (such as Volvo) and suppliers/credit brokers (such as the dealership).

I appreciate Mr G will disagree but given what I say above I'm satisfied that on the balance of probabilities I can't reasonably conclude he was advised by the dealership what he says he was.

Notwithstanding the above, Mr G also complains that when he called Volvo to settle the agreement early it failed to advise him that he could delay settlement by 58 days at no extra cost.

It appears that Volvo accepts this aspect of Mr G's complaint, albeit after Mr G had referred it to our service and a view had been issued on it by one of our investigators. But for the avoidance of doubt I would like to confirm that I agree that this aspect of Mr G's complaint should be upheld – for the same reasons as those given by the investigator – and that Volvo should pay Mr G £37.95 ($\text{£5,136.48} \times 4.75\% \times 58/365 \text{ days}$) together with interest by way of compensation in respect of it.

Putting things right

To put things right Volvo Car Financial Services UK Limited must:

- pay Mr G £37.95
- pay Mr G interest at 8% a year simple on the sum of £37.95 from the date Mr G paid Volvo the settlement sum of £5,136.48 to the date the refund of £37.95 is paid to Mr G*

**HMRC requires Volvo Car Financial Services UK Limited to take off tax from this interest. If Mr G asks for a certificate showing how much tax has been taken off this should be provided.*

My final decision

My final decision is that I uphold Mr G's complaint and direct Volvo Car Financial Services UK Limited to settle the complaint in accordance with what I've set out in the putting things right section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 4 November 2024.

Peter Cook
Ombudsman