

The complaint

Miss B complains about the information she received from Volkswagen Financial Services (UK) Limited ("VFS") when she acquired a used car under a hire purchase agreement. She says VFS didn't explain how interest would be charged on the amount being financed.

What happened

Miss B entered into a hire purchase agreement with VFS in July 2024 when she acquired a used car. The cash price of the car was £14,995, and she paid a deposit of £5,250 with the balance - £9,745 - to be repaid over the following 24 months of the agreement. The monthly payments were £140.70, with a final payment of £8,887.50. The total amount repayable under the agreement, had it run to term, would've been £12,123.60.

Miss B told us:

- she had a discussion with a sales assistant at the supplying dealership about her interest in one of its cars and put down a deposit the same day;
- there were several errors on the finance agreement and it took several attempts to get a correct version, and there were several other customer service issues with the readiness and state of the car when she came to collect it;
- during the discussions, the sales assistant did not inform her about the *"14-day period"* or that *"interest would accrue for 58 days if the balance wasn't settled with the 14-day period"*; she was under the impression that after making the first monthly payment, any additional charges would be minimal;
- in early August she contacted VFS to discuss settlement of her account and was shocked to learn of the additional charges, and the fact that she could've settled the account within the first 14 days and avoided the significant interest charges;
- having made her first monthly payment of £140.70, she's also incurred an interest charge of £158.57 which was unnecessary and which she could've avoided;
- she wants to be able to settle her account in full for the amount she borrowed - £9,745 - and have VFS return her monthly payment and waive the interest charges.

VFS rejected this complaint. VFS told this Service that the settlement figure had been calculated correctly in accordance with the Consumer Credit (Early Settlement) Regulations 2004. And although not specifically referenced in Miss B's hire purchase agreement, they are linked to the Consumer Credit Act 1974 which governs this agreement. And it explained that this legislation sets out the calculations on early termination of such a regulated agreement.

Our investigator looked at this complaint and explained that under section 56 of the Consumer Credit Act 1974 (CCA), this Service is able to hold VFS liable for what the broker / supplying dealership said prior to the agreement being entered into – something known as antecedent negotiations.

Our investigator said that having looked at all the documentation, he didn't think he'd seen sufficient evidence to say that there was a misrepresentation of the agreement by VFS, or

that VFS had done anything wrong in relation to the interest charged when the credit agreement was settled early. Accordingly, he didn't think this complaint should be upheld.

Miss B disagreed so the complaint comes to me to decide. She says, *"I was under the impression that I could make a single payment once I received funds from my insurance company. This would allow me to settle the remaining balance on my finance agreement with only a small interest charge"*. And she wants VFS held liable for the fact it withheld information from her. Miss B says that although she has no written record of the conversation with the supplying dealership, she can provide a witness statement from others who were present at the time.

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 taken everything into consideration, I've reached the same conclusions as our investigator, and I'll explain why.

The parties disagree about what happened and what was said when Miss B entered into the hire purchase agreement. In a situation like this where there's no record of the discussions, I'll look very carefully at any documentation and paperwork, and base my decision on what I think is *more likely* to have taken place.

And although Miss B says she can provide a witness statement from others who were present at the time, it would not be appropriate for me to take this into account. This is because I do not possess the powers to interview these other people, and I can't cross examine them, or compel them to give sworn testimony. Accordingly, I've looked very carefully at the documentary evidence from July 2024 – when the hire purchase agreement was taken out.

On page 3 of the hire purchase agreement, there's a section headed *"Right of Withdrawal"*. This section sets out how a customer goes about withdrawing from the agreement, and it confirms that *"The withdrawal period is 14 days, beginning with the day after the day on which this agreement is made"*. This section then explains that if a customer exercises their right to withdraw, they'll need to repay the amount of credit, and pay interest accrued on it.

I can see that Miss B signed this agreement, immediately under a number of declarations confirming that she'd received the Pre-Contract Credit Information, and that she agreed to the terms of the hire purchase agreement. So, I'm satisfied that Miss B signed the agreement, and was aware, or ought reasonably to have been aware of her rights in respect of the 14-day period.

I've next gone on to look at the *"Pre-contractual Explanations Checklist for Hire Purchase, Lease Purchase and PCP Agreements"*. This document says *"You were provided with specific information to help you assess whether the finance agreement is suitable for your needs and financial situation. Before signing the finance agreement, we would ask that you read the points below and then tick the boxes to confirm that information has been provided to you verbally. If you are happy to proceed, please sign at the foot of the page"*. There then follows a number of statements, two of which read:

I confirm I have read or have been provided with:

...

- *An explanation of the 'right to withdraw' from the finance agreement and when this right may be exercised.*
- *An explanation of how interest is charged should I wish to settle my finance agreement early.*

...

Each of these statements, along with others, has been ticked and the document has then been signed by Miss B.

Taking everything into account, I'm satisfied Miss B confirmed she'd been given information about her right to withdraw from the agreement, together with information about how interest would be charged in the event that she chose to settle the finance agreement early.

Finally, I've turned my attention to the fact that details of the Consumer Credit (Early Settlement) Regulations 2004 were not specifically referenced in Miss B's hire purchase agreement. But I'm not persuaded they needed to be.

Miss B's hire purchase agreement states at the top of page 1 that it's regulated by the Consumer Credit Act 1974. The Consumer Credit Act covers several areas of consumer credit including the content and form of credit agreements and the procedures relating to default, termination and early settlement.

In relation to early settlement, the Consumer Credit Act says that settlement figures should be calculated using the rules set out in the Consumer Credit (Early Settlement) Regulations 2004. So, in cases of early settlement, if the customer wishes to pay off all or part of the credit agreement before the end of the term, they do not have to pay the full amount of interest stipulated in the agreement. Instead, the total amount of interest which would have been payable over the term is reduced by a statutory rebate. And VFS has confirmed that these are the rules that it's applied in this case.

In summary, I'm not going to uphold this complaint, because based on the evidence that I've seen, I don't think VFS has done anything wrong. I know Miss B will be disappointed with my decision, but I hope she understand why I've reached the conclusions that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 12 March 2025.

Andrew Macnamara
Ombudsman