

The complaint

Mr H complains about the amount that he had to pay to Volvo Car Financial Services UK Limited to settle the conditional sale agreement under which a car was supplied to him and about the information that he was given.

What happened

A used car was supplied to Mr H under a conditional sale agreement with Volvo Car Financial Services that he electronically signed in February 2024. The price of the car was £40,000, Mr H made an advance payment of £10,000 and he agreed to make 60 monthly payments of £670.29 to Volvo Car Financial Services.

Mr H asked Volvo Car Financial Services for an early settlement figure later that month and it said that the settlement figure was £30,774.55. Mr H paid that amount to Volvo Car Financial Services by payments of £25,000 and £5,774.55 and the conditional sale agreement was ended.

Mr H complained to Volvo Car Financial Services in March 2024 and it responded to his complaint in April 2024. It said that Mr H had complained that he was given incorrect advice to not withdraw from the agreement within 14 days as he would lose his warranty cover and service plan and that the settlement figure he was quoted was too high. It said that it had been unable to confirm that Mr H had been mis-advised by the dealer regarding the warranty cover and service plan and that, once a settlement figure is requested, a rebate is calculated based on the total amount of interest that would have been paid from the date of the request to the end of the agreement and applied to the overall balance due after the deduction of the days of interest permitted to it under the regulations and guidelines of the Consumer Credit Act 1974.

Mr H wasn't satisfied with its response so complained to this service. His complaint was looked at by one of this service's investigators who, having considered everything, didn't recommend that it should be upheld. He concluded that Volvo Car Financial Services had acted fairly and in line with the Consumer Credit Act and had appropriately calculated the settlement figure using the Consumer Credit (Early Settlement) Regulations 2004.

Mr H has asked for his complaint to be reviewed by an ombudsman. He has provided responses to the investigator's recommendation and says, in summary, that:

- he wasn't informed of any exit fees and he has written evidence of being told that there were no exit fees;
- the settlement figure calculated contains a penalty/fee for exiting the agreement, equivalent to 58 days interest;
- it's not acceptable that he should be expected to read the Consumer Credit (Early Settlement) Regulations or other information about the calculation of early settlement figures and there's no reference in the agreement or the other documents he received to those regulations;
- had he known that there was an exit penalty, he would have explored the option of

paying separately for the warranty, roadside assistance and other benefits and that may have changed his decision on whether to take out the agreement in the first place; and

- Volvo Car Financial Services should refund the 58 days interest that it charged him.

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.

Mr H has provided an e-mail exchange with the dealer in January 2024 in which he asked about additional benefits that were available if the car was supplied to him under a finance agreement and about exit penalties. The dealer said: *"... as you have taken finance on the car then you get the following: 2 Free services, 2 Years warranty, 2 years road side assistance, 2 years MOT cover ..."*. Mr H asked: *"If we decided over time to repay the finance early, I understood ... there are no penalties in case of early repayment ... the only caveat being not within the first 14 days!"*; to which the dealer replied: *"Yes if you decide to repay this early, then you will still benefit from the free servicing and warranty"*.

The terms of the conditional sale agreement set out Mr H's right to withdraw from the agreement and to settle the agreement early and I consider it to be clear from the e-mails that were exchanged that Mr H was aware of his right to withdraw from the agreement and to settle the agreement early. The agreement says:

"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 ... and by repaying the appropriate amount, which may include a rebate".

Mr H requested an early settlement figure in February 2024 and Volvo Car Financial Services provided him with a settlement figure eighteen days after he'd entered into the agreement. The settlement figure was £30,774.55 and Mr H paid £25,000 to Volvo Car Financial Services that day and £5,774.55 the following day to end the agreement. He complained to Volvo Car Financial Services the following month.

Volvo Car Financial Services says that the early settlement figure was calculated in accordance with the Consumer Credit (Early Settlement) Regulations and it has provided Mr H with details of the calculations that it made. Those regulations say that, in Mr H's circumstances, the settlement date is the date falling 28 days after the date on which the early settlement request was received by Volvo Car Financial Services but, as the agreement provided for the credit to be repaid over a period that was more than a year after the relevant date, the settlement date may be deferred by 30 days. Applying those regulations, Volvo Car Financial Services was entitled to charge interest for that 58 day period.

The total amount payable by Mr H under the conditional sale agreement was clearly set out as £50,217.40 and the only payment that he'd made was the advance payment of £10,000 so the amount due from him was £40,217.40. The early settlement quote that was provided to Mr H said that the outstanding balance was £40,217.40, less a rebate of charges of £9,442.85, so the settlement figure was £30,774.55. The regulations refer to the calculation of a rebate and the early settlement quote correctly referred to a rebate. I don't consider that the settlement figure included a penalty for settling the agreement early or that it, or any part of it, would properly be considered to be an exit fee.

There's no requirement for a conditional sale agreement to provide details about how any early settlement rebate will be calculated or to refer to the Consumer Credit (Early

Settlement) Regulations. I'm not persuaded that there's enough evidence to show that Volvo Car Financial Services has calculated Mr H's settlement figure incorrectly or that it has dealt with his early settlement of the conditional sale agreement incorrectly.

In his complaint form Mr H says: *"The car was sold with 2 years servicing and 2 years warranty as part of the financial agreement (typically 1 year of each if a cash buyer). When I contacted the financial provider, they indicated this offer (extra years warranty, extra year servicing) was not connected to the financial agreement - however Volvo confirmed (via the Showroom) this is not accurate"*. It's my understanding that the additional benefits were provided by the dealer if Mr H entered into the conditional sale agreement. Those benefits weren't provided by Volvo Car Financial Services and it wasn't responsible for them. I'm not persuaded that there's enough evidence to show that the information that was given to Mr H was incorrect and it's also my understanding that the dealer has continued to provide those benefits to him.

Mr H clearly feels that Volvo Car Financial Services hasn't acted correctly so I appreciate that my decision will be disappointing for him. I find that it wouldn't be fair or reasonable in these circumstances for me to require Volvo Car Financial Services to refund to Mr H any of the settlement figure that he paid to it or to take any other action in response to his complaint.

My final decision

My decision is that I don't uphold Mr H's complaint.

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

Jarrold Hastings
Ombudsman