

The complaint

Mrs L complains about the information she received from Hyundai Capital UK Limited ("Hyundai") when she acquired a new car under a conditional sale agreement PCP. She says Hyundai told her there'd be no penalty if she wanted to settle the agreement early.

What happened

Mrs L entered into a conditional sale agreement PCP with Hyundai in December 2023 when she acquired a new car. The cash price of the car was £17,551.02, and after taking account of Mrs L's deposit, the part exchange of her existing vehicle, and the manufacturer's contribution, which totalled £6,600, the credit provided amounted to £10,500.02. The credit agreement was set up over a term of 37 months, with 36 monthly payments of £130.31 and a final payment of £7,987.95. The total amount repayable under the agreement, had it run to term, would've been £19,279.11.

Mrs L says the finance agreement was mis-sold to her – because she was told that there was no penalty if she were to settle the agreement early. And she'd told the supplying dealership that she was likely to do this within a few months of the agreement start date. Mrs L says she wants £1,000 in compensation.

Hyundai partially upheld this complaint, and it apologised for the poor service it had provided and the inconvenience that this had caused. It offered Mrs L £50 to compensate her for any distress it had caused.

Unhappy with its response, Mrs L brought her complaint to this Service. She told us that before she signed the credit agreement, she asked a number of questions of the supplying dealership – some of which it couldn't answer. One of these questions related to whether or not it was possible to settle the agreement early without penalty.

Mrs L says the supplying dealership contacted Hyundai, and the telephone call was recorded. She's provided this Service with a copy of the call recording. Mrs L says, *"I even asked the man on the other end of the phone if he was sure there is no penalty if we paid lump sums at a time we were told we could pay back all at anytime"*. Mrs L says when she then came to pay off a large sum in 2004, she was told the balloon payment would remain in place until the end of the credit agreement, and interest would be charged on it. She says the only way to avoid this scenario was to settle the account in full.

Our investigator looked at this complaint and said she didn't think it should be upheld, and she thought that Hyundai had settled Mrs L's complaint fairly and reasonably. She concluded that although Mrs L had been given some incorrect information when she acquired the car, she didn't think it would've made a difference; Mrs L would still have taken out the credit agreement.

She explained the relevance of the Consumer Credit Act 1974 (CCA 1974) in this particular case, and the rules in the Consumer Credit (Early Settlement) Regulations 2004 that set out how early settlement figures should be calculated. She said that under these regulations, early settlement of the agreement resulted in an additional 58 days of interest, so Hyundai

had been wrong to tell Mrs L that there was no penalty for early settlement of the account. But she went on to explain why she thought that even with the correct information, Mrs L would still have taken out the agreement, and she thought Hyundai's payment of £50 for the poor service it had provided was fair in the circumstances.

Mrs L disagreed so the complaint comes to me to decide. She says no one told her that the balloon payment would remain in place if she paid extra towards the agreement, and that she couldn't repay any part of the balloon payment unless it was repaid in full. She says she was forced to repay the balloon payment in full or leave it on the account accruing interest.

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.

I've looked very carefully at the documentary evidence from December 2023 – when the credit agreement was taken out, and I've also listened to the recorded telephone conversation between the supplying dealership and Hyundai, when Mrs L asked about repaying the agreement early.

The credit agreement sets out the payments required under it and when they become due. It says, *"You must repay the amount of credit and the total charge for credit shown in the costs information section below by 36 consecutive monthly payments each of £130.31 starting 1 month after the date of this agreement followed by 1 payment of £7,987.95 payable 37 months after the date of this agreement"*.

The document titled *Direct Debit Details* re-affirms this. It says:

First Due Date	Number of payments	Frequency	Payment Amount
01 January 2024	36	Monthly	£130.31
01 January 2027	1	Monthly	£7,987.95

And the *Welcome Letter* from Hyundai's Head of Customer Services provides the same information about monthly payments.

Next, I've considered the document that explains how the credit agreement works. It sets out the three options available to Mrs L once she's made her payments and reached the end of the agreement. This says she can repay the amount required under the regular monthly payments and then simply return the vehicle in good condition; she can retain the vehicle by making the *optional final payment* (the balloon payment); or she can take a new car and new agreement, and part exchange this car and its value as a contribution towards the new agreement.

And this document also explains that Mrs L can *"pay off lump sum amounts during the Agreement"*, and she can *"settle the outstanding balance early at any time during the agreement"*. This confirms Mrs L can make a number of additional extra payments during the term of the agreement, but that she can also settle it in full by repaying the outstanding balance. And it says that Mrs L will only become the vehicle's owner when she's made all payments due under the agreement, including the balloon payment.

So taking these documents into account, I'm satisfied that Mrs L was aware, or ought reasonably to have been aware of the payments required, their amount, and when they were due. And it's clear that, unless she settled the agreement *in full*, the balloon payment (also

called the *optional final payment*) wasn't due until the end of the term of the agreement; 1 January 2027.

Next, I've listened to the call recording of the conversation that took place in the supplying dealership when Mrs L asked about penalties associated with early repayment of the agreement.

It's clear that Hyundai's representative says the following:

"...we just don't charge a fee for customers who want to settle their agreement".

And when Mrs L asks the second representative to confirm that there is *"no penalty for paying off in full after four months"*. The representative confirms that is correct.

But this is where I disagree with Mrs L's understanding of what she was told. Mrs L's question, and the answers from both representatives were in respect of *full repayment* of the agreement. And full repayment relates to the 37 payments due under the loan – the 36 regular monthly payments, and the final balloon payment. At no point can I hear anyone confirm that interest will not be charged on the account if the account is only partially settled, with the balloon payment remaining. And *partial repayment* was what Mrs L was actually intending to do.

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

Mrs L's 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 Hyundai 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 Hyundai has done anything wrong in the way it's operated the agreement. And I'm satisfied that the £50 compensation was fair and reasonable for the poor customer service it provided.

I know Mrs L 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 Mrs L to accept or reject my decision before 3 July 2025.

Andrew Macnamara
Ombudsman