

The complaint

Mr S settled his finance agreement early with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (AFS) and is unhappy with the amount of money they asked him to pay.

When I refer to what Mr S or AFS have said or done, it should also be taken to include things said or done on their behalf.

What happened

In June 2024, Mr S entered into a hire purchase agreement with AFS to acquire a used car first registered in 2017. The cash price of the car was around £17,201. The total amount payable was around £22,078.61. Mr S needed to make one repayment of around £387.23 on a date set by AFS (which was to be at least one month after the date of the agreement), followed by 31 monthly repayments of around £387.23, on the same date of each successive month, and followed by a final payment of around £9,476.25 payable 32 months after the date from the first repayment. To exercise the option to purchase the car, Mr S had to add the £10 Option to Purchase Fee to the amount of the final monthly payment stated above.

Mr S said he was dissatisfied with the car, as it had some faults the next day after he took delivery of it. As a result, he said he was without a car from the start of the finance agreement, due to necessary repairs. Mr S said the repairs took nearly four weeks. Mr S said that because of him not knowing if they would eventually repair the car, or if he would get it back, he missed out on the Right of Withdrawal from the finance agreement within 14 days of the agreement start date. He said this resulted in him paying an additional interest charge of £454 when he settled the whole finance agreement. As he was unhappy, he raised a complaint with AFS.

In July 2024, AFS responded to Mr S's complaint. In summary, they said that whilst they understand Mr S did not have access to the car, this did not affect him being able to contact them to request the Right of Withdrawal (ROW) which had a 14-day time restriction. In line with treating customers fairly they said they are unable to honour his request for a refund of around £400 in additional interest as the withdrawal was not requested within the time frame allowed. In this correspondence AFS also said that, after contacting the dealership, they were informed that Mr S had been offered £400 by way of compensation for the issues he had experienced. And they concluded they are not able to uphold Mr S's complaint.

Mr S was unhappy with AFS's response, so he brought his complaint to Financial Ombudsman Service (Financial Ombudsman).

Our investigator was of the opinion that AFS acted within the terms of the agreement, and so have not done anything wrong.

Mr S did not accept the investigator's outcome. So, the complaint has been passed to me to decide.

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.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, the law, and, where appropriate, what would be considered to have been good industry practice at the relevant time.

Mr S acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements.

I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.

I know Mr S feels it is unfair that he was charged the extra interest as he was without the car from the start of the finance agreement due to the necessary repairs, so he was not sure if he was going to get the car back or not, and whether he was or was not going to keep it. So, I have taken that into consideration, but also I have considered what Mr S's agreement and the legislation stipulates.

The credit agreement Mr S entered into is regulated by the Consumer Credit Act 1974 (CCA) and this legislation states that Mr S could have withdrawn from the agreement, without giving any reason, provided he gave oral or written notice of the withdrawal to AFS before the end of the period of 14 days of entering into the said agreement.

The terms and conditions of Mr S's finance agreement also confirm that he has a right of withdrawal within the first 14 days. And, should he wish to exercise this right, he had to notify AFS in writing or orally within that withdrawal period.

From the evidence available, I can see that Mr S did not give notice within 14 days, so I do not think it would be fair and reasonable to say that AFS should refund any additional interest that has accrued because of this.

Also, I think most likely, not having the car back did not impact Mr S's decision on whether to contact AFS within the 14 days in question. I say this because Mr S said the repairs took four weeks to be completed, and he requested to settle the agreement less than three weeks after entering into it. So, when he decided to settle the agreement the car was still not back with him as it was, most likely, still being repaired.

When a finance agreement is settled early, the law requires the finance company to apply an interest rebate, as AFS have done in this situation. In this case, a 'rebate' refers to a rebate of charges for credit included in the total charge for credit. In this matter, this specifically refers to the interest charges. So, when Mr S settled the agreement, AFS were required to calculate how much of the interest charges due under the agreement he would have to pay. This includes applying a rebate in line with the Consumer Credit (Rebate on Early Settlement) Regulations 2004, and as per the terms and conditions of the agreement in question.

When Mr S settled the agreement, he was not required to pay all the interest under the agreement, because he settled it early. AFS was required to apply a rebate in line with the regulations and as per the terms and conditions of the agreement in question. As such, they

were allowed to charge Mr S interest for the time the finance agreement was in place plus an extra amount equal to 58 days' interest. And I've not seen enough evidence to be able to say that, most likely, this early settlement figure was not calculated in line with the regulations and as per the terms and conditions of the finance agreement.

Also, I know that on 24 June 2024 Mr S told AFS of the quality issue with the car, but when they asked him if he wanted to raise a satisfactory quality complaint to reject the car and unwind the agreement, he declined this because he wanted to keep the car. So, in this decision I'm not commenting on the quality aspects of the car. But I will just say that settling the finance agreement early would not take away from the rights that Mr S would have under the Consumer Rights Act 2015.

While I sympathise with Mr S for the difficulties that he is experiencing, based on all the information available in this case, I do not think it is fair or reasonable for me to require AFS to take any further action regarding his complaint.

My final decision

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 July 2025.

Mike Kozbial
Ombudsman