

## **The complaint**

Mr B complains that Santander Consumer (UK) Plc trading as Kia Financial Services (who I'll call KFS) miscalculated the interest rebate when he settled his finance agreement early.

## **What happened**

Mr B entered into a conditional sale agreement with KFS in July 2023 in order to fund a car. He repaid the agreement early, making four payments between August 2023 and November 2023. He calculated that he would need to pay about £400 in interest payments and was surprised to find that KFS had charged him nearly £950. He complained to KFS but as they didn't provide their calculation he referred his complaint to this service.

Our investigator explained the calculation set out in the Consumer Credit (Early Settlement) Regulations 2004 that needed to be applied in order to work out the rebate of interest. He explained that was a complicated calculation and that this service wouldn't usually calculate it. He wasn't persuaded he had evidence KFS had done anything wrong.

Mr B disagreed. He thought this service should be able to calculate the interest and that, until they could, businesses could carry on overcharging consumers. He asked for a decision by an ombudsman.

## **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.

I'm not persuaded I have sufficient evidence to suggest the early settlement quotation was wrong. I'll explain.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

The Consumer Credit (Early Settlement) Regulations 2004 require lenders, such as KFS, to provide a rebate of interest and charges when a credit agreement is repaid early. The calculation that needs to be applied is a complex one and is set out in section 4 of those Regulations; examples are provided to illustrate its application. Our Service wouldn't usually calculate or check the rebate: we'd expect the business's auditors to do that, and we understand that the calculation is automated. I can't see that Mr B has applied the correct calculation. He's not, for instance, taken account of the fact that more interest is paid at the start of the agreement or the fact that the Consumer Credit Act (1974) allows the settlement date to be deferred, in this case, by 58 days. KFS have explained that they've applied the calculation in the Consumer Credit (Early Settlement) Regulations 2004 and have deferred

the settlement date by the correct amount, using the correct regulations. I think they've been fair to do so and, on the basis of the information I've been provided, I'm not asking them to take any action.

I'm asked to make a decision about whether KFS have been fair to calculate the rebate in the way they have. I'm not considering broader concerns about, for instance, how any failure on this service's part to recalculate rebates could impact other consumers: that's not my role.

Mr B has also raised concerns about why different interest rates are quoted on his finance agreement. He says there was one for 4.06% and one for 7.9%. I can't see that's something he has raised with KFS and he may wish to do that if he remains unclear. It seems to me that the agreement charged an annual interest rate of 4.06%. That rate did not include additional costs such as any fees that may have been charged. The 7.9% is the Annual Percentage Rate (APR) and includes all the costs of borrowing. It's included in the agreement as lenders are obliged to publish it. It allows consumers, such as Mr B, to compare loan costs fairly.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 March 2025.

Phillip McMahon  
**Ombudsman**