

## **The complaint**

Mr O complains about the interest he had to pay when settling his hire purchase agreement early with Toyota Financial Services (UK) PLC trading as Lexus Financial Services ("Lexus").

## **What happened**

Mr O entered into an agreement with Lexus in September 2024 for the supply of a car. It was a five-year agreement. Mr O says he made it clear he always intended to settle the agreement a month later and didn't want to pay anything more than a small administrative fee when he did this. He says that he was assured by the dealership manager that no interest would be charged if he settled the agreement early.

He's also said he wasn't provided with a copy of the agreement after signing it, despite being told he would receive one by email or post "within a few days".

When he came to settle the agreement in October 2024, he discovered that an amount equivalent to 56 days interest would be kept by Lexus. He complained that he was never told that he'd be charged this, or that monthly payments would be "front loaded" with interest. He says the dealership misinformed him about the costs of the agreement.

Lexus responded to his complaint in November 2024, and in their final response letter (FRL) they didn't uphold his complaint. They explained how the interest is calculated and the legislation governing this when settling the agreement early.

Mr O wasn't happy with this answer and brought his complaint to our service shortly afterwards. It was investigated and the investigator didn't uphold it. They said that Lexus had followed the prescribed rules and regulations, and they weren't persuaded that a misrepresentation has occurred which had persuaded Mr O to enter into the agreement.

Mr O disagreed with this, and made several points including that it was clear that he was provided a lack of information and mis information at the point of sale, and the fact Lexus complied by the law and rules ignores that fact that he was totally clear at point of sale about what he wanted and wasn't informed about the cost of the loan as 56 days interest was not mentioned. He believes he wasn't informed about the 56 days interest as the person advising him didn't know about it and has said as much.

He said that as he was never given a copy of the agreement the fact it outlines that there would be charges isn't relevant, and that as Lexus are liable for pre contract discussions of their brokers, its clear to him they are liable for him not being given the right information. The case has come to me for a final decision.

## **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 done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr O was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

Mr O's complaint boils down to him saying that the agreement was misrepresented to him. That he was told something, or not told something, which induced him to enter into the agreement. This is where I've focused my answer as this is the crux of the complaint. This is in line with our service's remit to try to be quick and simple to use.

Mr O has said that the dealership staff told him that there were no interest charges for settling the agreement early. As the dealership is the broker on behalf of the finance company, the finance company would be responsible for this if I felt this is what had happened.

I've thought about how likely it is that he was told this, and I'm not persuaded it's likely. What he says was discussed would obviously be proven wrong shortly after he took supply of the car when he came to pay off the finance. Additionally, if he'd read the agreement, or investigated this further, he'd have quickly realised this wasn't correct and been able to not sign the agreement or potentially withdraw from the agreement within 14 days.

Alongside this, I look at the fact that he was happy to sign a five-year finance agreement. He says he wasn't provided a copy of the agreement post sale, but he was provided one at the point of sale to read and sign. In signing a five-year finance agreement, while intending to settle it after a month, I'd expect a consumer to make sure that if this was going to cost them an admin fee or similar, and this was an important consideration for them, that they knew exactly how much that would be.

Mr O has said he told the dealer he wasn't prepared to pay more than a "small administration charge" but put no figures on that. I'm not sure what classes as "small" in relation to the purchase of a £50,000+ car, with £17,000 on credit. Mr O has told us he repeatedly asked the relevant questions about any hidden charges, but I'm not persuaded by this. If a person absolutely didn't want to pay any interest, or wanted to know exactly how much it was going to cost them to finance £17,000 of the purchase for a month, I'd have expected them to reach out and ensure they had all the details confirmed, not to rely on a conversation where he says he was told there were no "hidden charges".

In fact, there were no "hidden charges". The 56 days interest charged is the standard across the industry and based on the applicable law and regulations which have been outlined to Mr O already. The agreement he signed confirms Lexus may charge a "*compensatory amount in accordance with laws and regulations*". I wouldn't say that I'd expect only a small admin charge based on this statement. Mr O says he didn't receive a copy of the agreement until a month later when he chased it up with Toyota, but again, I wouldn't expect someone to sign up to a five year finance agreement without having at least read the agreement at the point of signing it, and having a copy of what they've signed, particularly if they were concerned about what the charges were going to be if they settled the agreement early.

On this basis, I'd expect Mr O to have asked more questions if he wanted to clarify exactly what it was likely to cost. And if he didn't get a clear answer from the dealership staff, which he says he didn't, I'd have expected him to have contacted the finance company himself to clarify this.

Even if he'd contacted the finance company a few days later to clarify things, he had 14 days to change his mind and withdraw from the finance agreement. But it seems he only contacted them around a month after taking the finance, so this window was also missed.

Overall, I'm not persuaded that the agreement was misrepresented to Mr O, as I've seen no proof or behaviour that makes me believe he was told he'd pay no interest in settling the agreement early. I'm satisfied that Lexus have followed the relevant law and regulations in working out his settlement figure, and that the interest charged on the agreement was fair and outlined to him in the agreement.

### **My final decision**

I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 28 October 2025.

Paul Cronin  
**Ombudsman**