

The complaint

Mr M complains that he was misled by Vertu Fourth Investments Limited about a car finance agreement. I'll refer to Vertu under its trading name of Bristol Street Motors ("BSM").

What happened

In August 2024 Mr M approached BSM with a view to buying a used car. The sales process took around a week, and the invoice shows that Mr M agreed a price of £25,377, including accessories, a road fund licence and insurance. It was agreed that, if Mr M bought the car on finance, he would have the benefit of a two-year service plan, two-year warranty, two-year roadside assistance and a further £250 discount.

The net price was therefore £25,127, of which Mr M would pay £15,127 on finance.

BSM arranged the finance in the form of a hire purchase agreement between Mr M and the finance company, which I'll call V. Under the terms of the agreement, Mr M would make 23 monthly payments of £200.80 and, if he wanted to buy the car, a final payment of £14,500. The total which Mr M would pay for the car if the agreement ran its course would therefore be £28,999.40.

The finance agreement gave Mr M the right to withdraw from it and return the car within 14 days. If he did so, he would have to return the car and pay interest at a rate of £5.65 a day.

Clause 7 of the agreement said that Mr M could make early repayments at any time. That included the right to repay all sums owing and to exercise the option to purchase.

Mr M says that he had not intended to take the car on finance, and that he only did so to take advantage of the service plan, warranty and £250 discount. (He was less concerned about roadside assistance, given the car's age and mileage.)

Mr M says that he and his partner discussed with staff at BSM the options for repaying the finance soon after they had taken delivery of the car. They did not want to keep the finance running but wanted the benefits of the extras. Mr M says they were advised to keep the finance running for three months; the extra cost would be fairly small.

In December 2024 Mr M asked for a settlement figure from V. He was told it would cost £15,412.98 to exit the deal – more than he had borrowed, even though he had made monthly payments in the meantime.

Mr M complained to BSM. He said that he had been able to pay cash and had only taken out the hire purchase plan because he had been told he could pay it off at minimal extra cost.

BSM denied that he had been advised to repay the finance after three months. The finance agreement was clear about the application of interest.

In the event, Mr M made a payment of £15,423.93 to repay the finance in February 2025.

Mr M referred the matter to this service. One of our investigators considered what had happened but did not recommend that the complaint be upheld. Mr M did not accept the investigator's assessment and asked that an ombudsman review the case.

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 accept first of all that Mr M had the resources to pay cash for the car and that he took out finance in order to obtain valuable benefits and a modest discount. That is shown by the fact that he was able to repay the finance in a single payment.

I think it likely too that Mr M was given some reassurance that he would be able to make an early repayment and thereby end the agreement, so that the additional benefits would not be outweighed by the interest he would have to pay.

It is unlikely however that Mr M was given a clear indication of what he would need to pay to clear the finance. That's because the balance on a credit agreement of the type Mr M took out is made up of the amount of credit (here, £15,127) plus all the interest payments which will fall due if the credit runs its course. And that is why, when Mr M asked for a settlement figure in December 2024, the agreement balance was £18,526 – nearly £3,500 more than the credit he took out a few months earlier.

The amount needed to repay the finance was however £15,412.98. That is because The Consumer Credit (Early Settlement) Regulations 2004 allow for an interest rebate where a regulated finance agreement is repaid early. The exact amount of the rebate depends on a number of factors, including the total number and frequency of payment, how many payments have already been made, the amount of each payment, the interest rate and the amount of credit.

BSM denies that it suggested that Mr M wait a few months before repaying the finance. Mr M says that he was told it would "look bad" if he paid off the finance too quickly. That is, however, not the same as being told that he could not repay it early or that he would be better off waiting for a few months. The hire purchase agreement was clear that he could repay the finance at any time. I am not persuaded that he was given incorrect advice about the timing of any settlement.

Mr M could have withdrawn from the agreement within 14 days under clause 6. But that would not have achieved his aim, since exercising his rights under that provision would have required him to return the car. He would still have had to pay interest at £5.65 a day.

As I have indicated, I think that Mr M was told that he could benefit financially from taking out a hire purchase agreement and repaying it relatively quickly. But that was not incorrect. Had he bought the car outright, he would have paid a total of £25,377. Instead, I calculate he has paid £26,098.13. But the "extras" he obtained because he took out a finance agreement are valued at just over £1,500 – more than the difference. And it's arguable that Mr M made at least one monthly payment after he knew the true position. Overall, therefore, I am not persuaded that he is any worse off as a result of taking out finance, rather than paying cash.

My final decision

For these reasons, my final decision is that I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 September 2025.

Mike Ingram
Ombudsman