

Complaint

Mr N is unhappy that Hyundai Capital UK Limited (trading as “Kia Finance”) paid his broker commission for arranging a conditional sale agreement to facilitate his purchase of a car. He says that any commission was not disclosed to him and paid without his consent.

Background

In December 2020, purchased a brand-new car. The ‘cash-price’ of the vehicle was £39,790.00. Mr N paid a deposit of £16,400.00 and the remaining £23,390.00 was financed by a conditional sale agreement which he entered into with Kia Finance.

Under the terms of the agreement, Mr N had to pay 36 monthly payments of £241.94. And if he wished to keep the vehicle a final payment of £17,723.00. Mr N had to pay £3,024.84 in interest and all of this meant that the APR for the agreement was 4.9%. The agreement was completed in January 2024.

In around July 2024, Mr N complained that Kia Finance paid his credit broker, which also happened to be the motor dealer he purchased his vehicle from, commission for arranging his conditional sale agreement. Mr N, in effect, said that this commission wasn’t disclosed and that this failure to disclose was contrary to Kia Finance’s regulatory and legal obligations.

Kia Finance didn’t uphold Mr N’s complaint. It said that it complied with all the legal and regulatory obligations in place at the time. As Mr N remained dissatisfied, he referred the matter to our service.

One of our investigators looked into Mr N’s concerns. She didn’t think that Kia Finance had paid the broker commission and so didn’t recommend Mr N’s complaint be upheld.

Mr N disagreed and asked for an ombudsman to consider the matter and make a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I don’t think that Kia Finance acted unfairly towards Mr N and so I’m not upholding his complaint. I’ll explain why in a little more detail.

Kia Finance has explained that it didn’t pay any commission to the broker for bringing about Mr N’s conditional sale agreement. It says that Mr N purchased his vehicle during a period where it was operating a campaign with the manufacturer of Mr N’s vehicle. During this campaign, the discretionary commission arrangement (“DCA”) that would typically have been available to the broker at the time was replaced by a campaign interest rate of 4.9% APR.

All agreements written under this campaign resulted in no commission being paid to the introducing credit broker. So for Mr N's agreement there were no payments made to the broker at all. The only payment that was made was a payment of £78.91, which the manufacturer of Mr N's car paid to Kia Finance as a result of it lending to Mr N as part of this campaign.

On the other hand, Mr N has said that the investigator erred in concluding that Kia Finance hadn't paid any commission to his credit broker and did not fully account for the industry context.

I've thought about the evidence and arguments provided by the parties.

Having done so, I can to some extent understand why Mr N has treated Kia Finance's assertion that it didn't pay the broker commission with a significant degree of scepticism. After all Kia Finance's final response to Mr N's complaint referred more to it having complied with its relevant legal and regulatory obligations, in relation to commission at the time Mr N entered into his conditional sale agreement (although I note it did tell Mr N that a DCA wasn't in use for his agreement), rather than it not having paid the broker any commission at the time.

In any event, our service doesn't just accept, at face value, what a respondent firm says in relation to a complaint. I accept that the investigator's assessment should have explained much better than it did. Nonetheless we require a respondent firm to provide evidence to back up and corroborate an argument and/or its version of events. In this case, Kia Finance has provided a screenshot from its records on Mr N's account. This screenshot has the details of Mr N's agreement and it has an amount of 0.00 recorded for commission.

Furthermore, Kia Finance has also provided a copy of the operating agreement that it had with Mr N's credit broker at the time of the sale. This shows that where the DCA was used the broker had the opportunity to select an APR between 12.9% (which was the highest and paid a commission of 7.45% of the amount advanced) and 8.4% (which was the lowest and paid a commission of 0.25% of the amount advanced).

Mr N's conditional sale agreement shows an APR of 4.9% which is substantially lower than the lowest APR available on the DCA. There isn't anything in the operating agreement which permits the broker to select an APR which was lower than 8.4% either. Therefore, having considered the content of the screenshot, seen that the identifying information on it matches up with Mr N's conditional sale agreement and also the APR Mr N received, I consider it more likely than not that the DCA wasn't used for Mr N's agreement.

Instead, I consider it more likely than not that Mr N's sale took place at a time where a campaign was in place, which resulted in Mr N receiving a lower APR of 4.9% on his conditional sale agreement and the credit broker wasn't paid any commission for introducing Mr N to Kia Finance. I therefore have no reason to disbelieve or doubt the authenticity of the record provided, or Kia Finance's assertion that it paid no commission to Mr N's broker in this case.

For the sake of completeness, I'm also not persuaded that the credit broker had any ability to set or even influence the interest rate that Mr N received on his conditional sale agreement. It appears to me that it was Kia Finance that set the interest rate as it was entitled to as the lender on Mr N's conditional sale agreement. As this is the case, there was no requirement for it to set out or explain why it had decided to offer an APR of 4.9% to Mr N.

Finally, I would also add that I don't think the mere fact that many in the industry operated DCAs and/or other commission arrangements at the time Mr N entered into his conditional

sale agreement in itself automatically means that the broker must have been paid commission here. A lender will often pay commission to a broker for arranging a credit agreement. But this won't always be the case.

Indeed, my experience of looking at commission complaints has shown me that lenders and in particular manufacturer ones - such as Kia Finance here – often run campaigns offering lower interest rates and paying no commission to the credit broker, in order to increase sales of new cars.

In any event, in this instance, I'm satisfied that the records Kia Finance has provided show that it didn't pay the broker commission for introducing Mr N and bringing about his conditional sale agreement. I don't think the fact that Mr N entered into his conditional sale agreement prior to the regulator's ban on DCAs, contradicts what the screenshot says, calls into question its accuracy, or necessarily means that it must follow that commission had to have been paid in this case.

So overall and having considered everything, I don't think that Kia Finance did pay Mr N's broker commission and I'm not upholding this complaint. I appreciate this will be very disappointing for Mr N – especially as Kia Finance didn't make its position clear from the outset. But I hope he'll understand the reasons for my decision and that he'll appreciate why I think Kia Finance hasn't acted unfairly or unreasonably towards him in this instance.

My final decision

For the reasons I've explained above, I'm not upholding Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 11 July 2025.

Jeshen Narayanan
Ombudsman