

The complaint

Mr A complains that he has paid too much to settle a hire purchase arrangement with Volkswagen Financial Services (UK) Limited (“VWFS”).

What happened

On 23 December 2024 Mr A entered into a four year hire purchase agreement with VWFS. The terms of the agreement recorded that Mr A was to borrow £16,726, repayable by 48 monthly payments of £254.27. The total he would pay would therefore be £25,331.46.

Mr A could withdraw from the agreement and return the car within 14 days. The hire purchase agreement also said:

7. Early Repayment

7.1 You have a right at any time to make early repayment. To do so, you should give us notice, and pay us some or all of the sums payable by you before you are obliged to do so under the terms of this Agreement. The payment should be made before the end of the period of 28 days, beginning with the day following the day that we receive your notice, or on or before any later date specified in your notice.

7.2 Any such repayment will be applied first to discharge sums which have already fallen due under this Agreement. The balance will then be applied to discharge your indebtedness under this Agreement by the amount paid and any applicable statutory rebate ...

A monthly payment of £254.27 was taken by direct debit on 29 January 2025. Mr A asked for a settlement figure (as clause 7 of the hire purchase agreement allowed him to do) and was given a figure of £17,164.29, valid until 24 February 2025. VWFS said that the outstanding balance at the time was £23,172.46 and the interest saving was therefore £6,008.17. It said that the settlement figure had been calculated in line with The Consumer Credit Regulations 2004 and provided a link to them.

Mr A paid the settlement figure on 10 February 2025. However, he complained about the figure he had been asked to pay, since it was more than the sum he had borrowed – £16,726.

VWFS said that the settlement figure had been correctly provided in line with statutory requirements. It had not been under any obligation to explain the legislation around early loan settlement in any more detail than was included in the hire purchase agreement.

Mr A referred the matter to our service. Our investigator was satisfied that the settlement figure had been correctly calculated in accordance with The Consumer Credit (Early Settlement) Regulations 2004 (“the Regulations”) and that VWFS had acted in line with relevant legislation. Mr A 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.

Having done so, however, I have reached the same conclusion as the investigator did, and for broadly the same reasons.

I can understand why Mr A feels that he has been unfairly treated. On the face of it, he has paid nearly £700 more than the amount of credit recorded in the hire purchase agreement, even though that agreement ran for less than two months. However, Mr A borrowed a total of £25,331.46 and – because he settled the credit agreement early – repaid significantly less than that. The Regulations provide that, where a regulated consumer credit agreement is settled early, the borrower is entitled to a rebate of some of the interest which they would otherwise have had to pay, calculated in accordance with them.

There is no requirement on a lender to explain to a lender before they take out credit how the Regulations operate. It is sufficient that the credit agreement tells the lender that they can settle early – as clause 7 did in this case. Had legislators intended that borrowers should explain the Regulations in detail, they could have included that as a requirement in those regulations or other consumer protection law.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 October 2025.

Mike Ingram

Ombudsman