

## **The complaint**

Mr S complains about the credit agreement he took out with MotoNovo Finance Limited ("MFL") when he acquired a used car. He says he wasn't told how interest would be charged under the agreement; how early repayments would affect the interest charged; and he doesn't think the term of the agreement is correct.

## **What happened**

Mr S acquired a used car under a hire purchase agreement taken out with MFL. The cash price of the car was £16,495, and after taking account of his deposit and part-exchange value of £2,500, the remaining balance was to be repaid over the term of the credit agreement. His monthly payments were set at just over £370.03, meaning the total amount he would repay over the term of the agreement would be £20,262.44. At the time of supply, the car was more than three years old and had been driven around 32,000 miles.

Mr S told us:

- He entered into a hire purchase agreement in May 2024. He's raised a complaint with MFL because it's not clear how it calculated the interest on his account;
- the credit agreement was set up for him to make 48 payments, yet the agreement seems to run for 49 months;
- the process for making overpayments isn't clear, and neither is the effect any overpayments have on the loan's balance and the interest charged.

MFL paid Mr S £50 in recognition of the distress and inconvenience he'd experienced when it gave him incorrect information about interest calculations when he first queried this. But it rejected the merits of his complaint. It said he was provided with comprehensive information about the loan agreement in May 2024, before he signed the paperwork a week later.

MFL explained how it calculated Mr S' monthly payments and explained that if he were to make an overpayment, it would recalculate the interest and apply a rebate to his account. And it said he should contact its customer service team if he wanted more information, or a quote about early partial settlement.

Our Investigator looked at this complaint and said she didn't think it should be upheld. She said she had seen no evidence that the interest charged on Mr S' account was being calculated incorrectly or that he'd been misled about the interest rate. And she explained that in the early life of the loan, a smaller proportion of the monthly payment goes towards repaying capital.

Our Investigator explained that the term of the loan appeared to be correct; the first payment became due some time after the loan agreement commenced, so although 48 monthly payments were due under the credit agreement, the agreement had a term of 49 months.

Mr S said that from the outset, the terms of the loan had not been adequately explained, and he'd been unclear on how the interest rate was calculated. And he also questioned the

principle upon which interest would be rebated were he to make an overpayment, and the effect any overpayment would have on the term of the loan and the interest charged.

Mr S questioned whether it was legal to tell a customer that the term of the loan was 48 months and then *“conveniently sneak in an additional month in the final contract”*.

Our Investigator explained that *“the agreement interest is fixed at the start of the term and front loaded, so the fact that payments were not taken until two months after the inception date doesn’t mean you paid more interest as the interest is fixed and not accruing monthly. The agreement clearly states how much interest will be paid during the agreement and you will not have paid any more than this”*.

Our Investigator provided a link to MFL’s website where more information about payments could be found. And she explained again that although Mr S was making 48 monthly payments, these would be made over the 49 month term of the credit agreement; the first monthly payment wasn’t due on the day the agreement commenced, it became due two months after the agreement started.

Mr S disagrees so the complaint comes to me to decide.

### **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 hope that Mr S won’t take it as a discourtesy that I’ve condensed his complaint in the way that I have. Ours is an *informal* dispute resolution service, and I’ve concentrated on what I consider to be the crux of this complaint. Our rules allow me to do that. Mr S should note, however, that although I may not address each individual point that he’s raised, I have given careful consideration to all of his submissions before arriving at my decision.

First of all, I need to explain that this Service doesn’t supervise, regulate or discipline the businesses we cover. And my role isn’t to punish or penalise businesses for their performance or behaviour – that’s the role of the Regulator; in this case the Financial Conduct Authority (“FCA”).

My role is to look at problems and concerns experienced by an individual consumer and determine whether, or not, the financial business – in this case MotoNovo Finance Limited – has done anything wrong. And, if it has, I’ll seek to put the consumer back in the position they would’ve been in if those mistakes hadn’t happened.

Having taken everything into consideration, I’ve reached the same conclusions as our investigator, and I’ll explain why.

When looking at this complaint I need to have regard to the relevant laws and regulations, but I am not bound by them when I consider what is fair and reasonable.

As the hire purchase agreement entered into by Mr S is a regulated consumer credit agreement this Service is able to consider complaints relating to it.

### ***Interest Rate***

Mr S queries the interest rate charged under his credit agreement.

The interest rate stipulated on the agreement – 6.59% fixed – is the rate that Mr S is being charged and the basis upon which his monthly loan payments are calculated. Mr S' credit agreement and pre-contract information contain the correct details including the cash price of the car; his deposit and the contribution amount of the part exchange; the amount of credit being provided; and the total he'd repay over the term of the agreement. And Mr S signed this credit agreement, so I'm satisfied he ought reasonably to have been aware of the interest rate applicable to his loan, and the payments he'd make each month.

Mr S queries how MFL calculates APR, but I have to tell him that if he wishes to better understand its calculations, he should approach it directly for the formula it uses together with an explanation, but this isn't something that I'm going to comment on.

### *Credit Agreement Term and monthly payments*

The Consumer Credit (Disclosure of Information) Regulations 2010 set out what businesses must disclose before entering into a regulated credit agreement. I'm satisfied the pre-contract credit information given to Mr S meets the requirements of these regulations.

The Financial Conduct Authority (FCA) goes further in what it expects of a business. In a part of its handbook known as CONC 4, the FCA says a business must provide a customer with adequate explanations to allow the customer to assess whether the agreement is adapted to the customer's needs and financial situation. Among other things, CONC 4.2.5R(2)(c) says the business must explain any "features of the agreement which may operate in a manner which would have a significant adverse effect on the customer in a way which the customer is unlikely to foresee".

The documentation provided to Mr S sets out clearly that the duration of the credit agreement is 49 months. And it goes on to explain that there'll be *"47 equal monthly repayments of £370.03 each, starting 2 months after we sign the agreement, followed by 1 monthly repayment of £371.03 (the final payment)"*.

So it's clear to me, and ought reasonably to have been clear to Mr S, that although he'll make 48 payments over the term of the credit agreement, the term of the credit agreement is actually 49 months. This is because he makes his monthly repayments in arrears and not in advance; he'll make no payment in the first month when the agreement commences, his first payment is made at the end of the following month – two months after the agreement is signed.

### *Early Repayment and Overpayments*

The Consumer Credit Act covers several areas of consumer credit including the content and form of credit agreements and the procedures relating to default, termination and early settlement.

In relation to early settlement, the Consumer Credit Act says that settlement figures should be calculated using the rules set out in the Consumer Credit (Early Settlement) Regulations 2004.

So, in cases of early settlement, if the customer wishes to pay off all or part of the credit agreement before the end of the term, they do not have to pay the full amount of interest stipulated in the agreement. Instead, the total amount of interest which would have been payable over the term is reduced by a statutory rebate.

There's a section in Mr S' credit agreement that covers this off. Under the heading *'Your right to repay this agreement early'* it says, *"You have a right under s.94 Consumer Credit*

*Act to repay this agreement early. You can make early repayment in full, or you can make a partial early repayment”.*

This section then goes on to explain the options available to Mr S, and the process he’d need to follow. It says, *“If you make a partial repayment, we will ask you how you want us to treat the money. Usually, you can choose between keeping the same agreement term and reducing the amount of each remaining payment, or you can keep the same payments and shorten the term of your agreement”.*

The next section provides MFL contact details and says a customer should contact it if they wish to make an early repayment, and it explains the various methods by which such a payment can be made.

Again, I’m satisfied that MFL sets out the information a customer needs to know about making over payments, and the Consumer Credit Act sets out the way in which MFL needs to calculate the statutory rebate.

In summary, I do not uphold Mr S’ complaint, and I’m satisfied that his credit agreement and pre-contract credit information provide details of the interest rate charged; the term of the loan and the payments required; and the way in which overpayments can be made. And this information is set out in the way required under the relevant legislation.

Although I’m not upholding Mr S’ complaint and I know he’ll be disappointed, I hope he understands why I’ve reached the conclusions that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 30 July 2025.

Andrew Macnamara  
**Ombudsman**