

The complaint

Mr K complains about the amount that he was required to pay by Secure Trust Bank plc, trading as V12 Vehicle Finance, to settle the hire purchase agreement under which a car had been supplied to him.

What happened

A used car was supplied to Mr K under a hire purchase agreement with V12 Vehicle Finance that he electronically signed in November 2024. The price of the car was £14,590 and the total amount payable under the hire purchase agreement was £20,369.20. Mr K agreed to pay that amount to V12 Vehicle Finance by 47 monthly payments of £424.15 and a final payment of £434.15.

Mr K asked in January 2025 to settle the hire purchase agreement early and V12 Vehicle Finance said that the settlement amount was £14,929.72. Mr K paid £14,929.72 to V12 Vehicle Finance but complained to it about the settlement amount. It didn't agree that the settlement figure was incorrect or that Mr K's obligations under the agreement weren't made clear to him. It said that the settlement figure was calculated and provided in accordance with the Consumer Credit Act 1974 to include a rebate of interest for the remaining term. It agreed that a phone call with Mr K wasn't handled appropriately and it paid him £50 compensation for the distress and inconvenience that he was caused.

Mr K wasn't satisfied with its response so complained to this service. He says that the settlement amount was £763.87 (including the first direct debit payment of £424.15) higher than the amount that V12 Vehicle Finance paid to the dealer and he believes that is excessive and unreasonable. He says that he's a vulnerable customer as he has a special needs child and he believes that that wasn't taken into account.

His complaint was looked at by one of this service's investigators who, having considered everything, didn't recommend that it should be upheld. She wasn't persuaded that the settlement figure was calculated incorrectly and was satisfied that V12 Vehicle Finance had acted in line with its own internal policies, current regulations and the terms of the agreement.

Mr K didn't accept the investigator's recommendation and has asked for an ombudsman to issue a decision on his complaint. He says that:

- V12 Vehicle Finance didn't make the early settlement calculation sufficiently clear or transparent at the time of the agreement or when requested;
- as a vulnerable customer with caring responsibilities for a special needs child, V12 Vehicle Finance should have exercised greater care in supporting him and explaining these financial consequences clearly; and
- the settlement amount charged is disproportionately high in his case and better clarity at the outset could have prevented this situation.

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.

Mr K electronically signed the hire purchase agreement in November 2024. I consider that the agreement clearly set out that the amount of credit provided to him was £14,950 and that the total amount payable under the agreement was £20,369.20, which he agreed to pay by 47 monthly payments of £424.15 and a final payment of £434.15.

The agreement says, under a heading in bold and capitals *"Early Repayment"*:

"You have the right under section 94 of the Consumer Credit Act 1974 to repay early in full or in part. If you wish to pay any amount early you must give notice to us ... You must make any partial early repayment within the period of 28 days beginning with the day after you give us notice or on or before any later date that you specify when you give notice. Unless you repay in full, any early repayment you make will not reduce the duration of the agreement but, if you have given us notice of your intention to pay an amount early, we will recalculate the amount of the remaining monthly repayments to reflect the way in which the Total amount payable has been reduced by the early repayment".

The Consumer Credit (Early Settlement) Regulations 2004 set out the detailed formula that has to be used to calculate the rebate that is due to a debtor if they settle their agreement early. There's no requirement for that formula to be included in a hire purchase agreement and I wouldn't expect a creditor to include it in a finance agreement.

Mr K asked to settle the hire purchase agreement early in January 2025, less than two months after he'd entered into the agreement. At that time he'd made one monthly payment to V12 Vehicle Finance. V12 Vehicle Finance wrote to him and said that the balance outstanding on his account was £19,945.05 (which was the total amount payable of £20,369.20 less the payment of £424.15 that it had received from Mr K, and the rebate, calculated accordance with the Consumer Credit (Early Settlement) Regulations 2004, was £5,015.33, so the settlement amount was £14,929.72. Mr K then paid £14,929.72 to V12 Vehicle Finance to settle the agreement.

I've seen no evidence to show that V12 Vehicle Finance calculated the rebate or the settlement amount incorrectly. Mr K says that the settlement amount charged is disproportionately high in his case and the agreement said that he had the right to pay early but didn't show clearly how much more it would cost in the early stages, or that the settlement figure could exceed the original advance even after payments had been made.

Mr K had agreed to pay a total of £20,369.20 to V12 Vehicle Finance by 47 monthly payments of £424.15 and a final payment of £434.15.

At the start of the agreement, when the amount of credit outstanding is highest, the interest payable on that amount would also be highest so the proportion of each monthly payment that was payable for interest would be high and only a small amount of the monthly payment would be used to repay the loan. As the agreement continues, the amount of credit outstanding would decrease each month so the interest payable on the outstanding amount would also decrease and a higher proportion of each monthly payment would be allocated to credit repayment.

Mr K's complaint to V12 Vehicle Finance included a complaint about a phone call with it in March 2025. V12 Vehicle Finance agreed that the phone call wasn't handled appropriately and it paid him £50 compensation for the distress and inconvenience that he was caused. I consider that to have been a fair and reasonable response to that issue and I'm not persuaded that any further action about it is justified.

Mr K says that as a vulnerable customer with caring responsibilities for a special needs child, V12 Vehicle Finance should have exercised greater care in supporting him and explaining these financial consequences clearly. I'm satisfied that the hire purchase agreement contained the information about early settlement that it's required by legislation to contain and I'm not persuaded that V12 Vehicle Finance was required to give more information in the agreement about the early settlement calculation.

I can understand that Mr K vulnerability might make situations such as this more difficult for him but, other than as described above, I'm not persuaded that there's enough evidence to show that V12 Vehicle Finance has acted incorrectly in connection with the early settlement of the hire purchase agreement by Mr K or that it should have done more in these circumstances to help him. I find that it wouldn't be fair or reasonable for me to require V12 Vehicle Finance to refund to Mr K any of the payments that he made to it under the hire purchase agreement, to pay him any further compensation or to take any other action in response to his complaint.

My final decision

My decision is that I don't uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 27 October 2025.

Jarrod Hastings
Ombudsman