

The complaint

Mr K complains that MotoNovo Finance Limited overcharged him to settle his Personal Contract Purchase (PCP) agreement.

What happened

In March 2023, Mr K acquired a used car through a PCP agreement with MotoNovo. The cash price of the car was £29,877 and he paid a deposit of £4,000, made up of both cash and part-exchange value. The amount of credit was £25,887 and the total amount payable including interest was around £39,712, to be paid over 49 months; with 48 monthly payments of around £477 and a final repayment of around £12,808.

In March 2025, Mr K asked MotoNovo for an early settlement figure. MotoNovo confirmed the settlement figure was £20,531.69, which was valid until 25 April 2025. Mr K complained that this figure was too high, given the amount he'd already paid towards the agreement. MotoNovo said they calculated Mr K's settlement figure using calculations approved by the regulator, the Financial Conduct Authority.

Our Investigator reviewed matters and didn't find any evidence of an error made by MotoNovo when calculating Mr K's early settlement figure, so they didn't think the complaint should be upheld.

Mr K didn't agree. And as no agreement has been reached, the case has been passed 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 think it's important to firstly set out what it is this decision will cover. In response to the Investigator's view, Mr K raised concerns about the interest rate and commission paid. However, these are new and separate issues that don't form part of this complaint. This decision will address the complaint Mr K raised with MotoNovo in March 2025, which only related to the early settlement figure.

I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a reasonable outcome is. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

In considering this complaint I've taken into account the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time. Mr K was supplied with a car under a PCP

agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

It's not the role of this service to calculate Mr K's settlement or audit the calculations carried out by MotoNovo. But I've considered whether MotoNovo has demonstrated that it treated Mr K fairly when calculating the settlement, and that it did so in line with the relevant rules.

Mr K's agreement states that it's regulated by the Consumer Credit Act 1974. 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. This law requires a creditor to apply an interest rebate where an agreement is settled early. There's no mention of this in Mr K's agreement, but finance agreements won't always set out all the laws that could be relevant, and this isn't a legal requirement. There's nothing in the agreement that sets out that MotoNovo won't follow the law relating to early settlements.

MotoNovo says the early settlement figure was automatically generated by its system, and included a rebate calculated in line with the provisions set out in the Consumer Credit Act. The calculations lenders are required to apply are complex, and this process is typically automated – so it won't always be possible for lenders to provide its exact calculations in detail. I haven't recalculated Mr K's rebate or checked MotoNovo's calculations, as that isn't my role. But I'm satisfied the settlement figure given seems broadly in line with what I'd typically expect to see, taking into the account the duration of the agreement, the amount paid and total amount payable.

The figures provided by Mr K assume the interest payable under the agreement was to be split equally over the duration of the agreement – but this isn't how interest is generally applied under hire purchase agreements. Interest is calculated on the outstanding amount, so the proportion of each payment allocated to interest varies each month and will be higher during the earlier months of the agreement when the total balance is at its highest. As the total outstanding balance decreases, the proportion of the payments allocated to interest reduces.

Overall, I haven't seen any evidence or calculations from Mr K that persuades me MotoNovo's calculation of the early settlement figure was incorrect or resulted in him being overcharged. So, I don't conclude that MotoNovo has made an error, and I don't require it to do anything further.

My final decision

For the reasons explained, 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 6 January 2026.

Nicola Bastin
Ombudsman