

The complaint

Mr A complains that Specialist Motor Finance Limited (SMF) mis-sold him a hire purchase agreement.

What happened

In May 2023, Mr A was supplied with a used car through a hire purchase agreement with SMF. The cash price of the car was £9,264 and he paid a deposit of £200. The amount of credit was £9,064, to be paid over 60 months; with 59 monthly payments of around £248 and a final payment of around £258. The total amount payable, including interest, was £15,108.

In January 2025, Mr A asked SMF for an early settlement figure. SMF confirmed the settlement figure was £7,391.82, which was valid until 27 February 2025.

Mr A complained to SMF that the agreement was mis-sold. He said he wasn't told about the nature of the repayment structure, despite directly asking about early repayment, and there was no mention of this within the terms of his agreement. He said had he been made aware of this, he wouldn't have entered into the agreement.

SMF didn't uphold the complaint. It said the settlement figure was calculated correctly and his payments had been allocated in line with the agreement and the Consumer Credit Act 1974. And within the pre-contract documents Mr A was advised to contact SMF if he had any questions, which he didn't do.

Our Investigator reviewed matters and didn't think the agreement had been misrepresented. They were satisfied Mr A had been correctly advised settling the agreement early would save him money, and didn't find it unreasonable that the broker didn't provide significant detail about the repayment structure.

Mr A didn't agree. 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. Mr A has raised concerns about the quality of the car 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 A raised with SMF in May 2025, which only related to the sale of the agreement.

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 A was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

Mr A hasn't alleged the settlement figure was calculated incorrectly. His complaint is that the agreement was mis-sold to him – so this is what I've focussed on.

Under section 56 of the Consumer Credit Act 1974, the finance provider (SMF) can be held responsible for what it says and for what is said by a credit broker or a supplier before the consumer takes out the credit agreement. So, I've taken this into account when considering this complaint.

To conclude there has been a misrepresentation in Mr A's case, I must first be satisfied that:

1. A false statement of fact has been made; and
2. That false statement induced Mr A to enter into the agreement.

Both points need to be satisfied for me to say a misrepresentation has been made.

For obvious reasons, I wasn't party to the conversations Mr A had with the dealership, so I can't say for certain what was discussed, or how the agreement was presented to him. Mr A says he specifically asked about settling the agreement early and was advised he could do so, which would reduce the total cost.

When a finance agreement is settled early, the law requires the finance company to apply an interest rebate, as SMF have done here. So, when settling an agreement early, SMF are required to calculate how much of the interest charges due under the agreement Mr A would have to pay. This includes applying a rebate in line with the Consumer Credit (Rebate on Early Settlement) Regulations 2004, and as per the terms and conditions of the agreement.

So, based on Mr A's testimony, I'm not persuaded a false statement of fact was made in relation to the early settlement of his agreement. He was told settling the agreement early would reduce the total cost, and the settlement quote given included an interest rebate of £2,550.18.

I understand the settlement figure was higher than Mr A expected, and he thought the payments he'd made would've reduced the capital balance by a greater amount. 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 agreement runs its course, the total balance outstanding decreases and the proportion of the payments allocated to interest reduces.

Mr A says the dealership failed to disclose the payments would be heavily interest loaded in the early stages of the agreement. And had they done so, he wouldn't have entered into the agreement.

The calculation for early settlement rebates is complicated and not something I'd expect to set out in detail during the brokering of an agreement. Neither do I find it reasonable to have

expected the dealership to set out in detail the repayment structure and how each monthly payment will be proportioned between capital and interest.

I'm satisfied Mr A was provided with the terms of his agreement, which clearly set out the total amount of interest payable over the full duration. And he was correctly advised settling the agreement early would reduce the total amount payable. If Mr A required further, more specific, detail about how interest is applied, the allocation of his monthly payments and how any rebate would be calculated when settling the agreement early, he had the opportunity to discuss this with SMF before proceeding. I think it's reasonable to expect him to have done this, if this was a significant factor in his decision making.

Overall, having considered the evidence available, I don't consider the first misrepresentation criteria has been met. It's therefore not necessary to consider the second criteria. I'm satisfied Mr A was provided with the terms and conditions of his agreement, which set out the key information regarding how the agreement worked. And if Mr A required specific information regarding the repayment structure, he could've requested this from SMF before proceeding. So, I don't find the agreement was mis-sold.

My final decision

For the reasons set out above, I don't 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 9 January 2026.

Nicola Bastin
Ombudsman