

The complaint

Mr C complains about a hire purchase agreement he took out with Toyota Financial Services (UK) PLC trading as Toyota Financial Services (TFS) to fund the cost of a new car. Mr C complains about being missold the finance agreement and amongst other things, *...unconfirmed commission, difference in interest rates from those quoted to the ones we should have been quoted, the amount we could have saved if we had known it may have been cheaper to take out a different credit agreement...*

Mr C is represented in his complaint by Mrs C, but for ease I shall refer to all submissions as if made by Mr C.

My decision here relates only to one of Mr C's complaints about one specific finance agreement. Separate decisions will be issued in respect of the other agreements Mr and Mrs C held with TFS and I have seen nothing that requires me to consider all of the cases.

What happened

On 26 October 2016 Mr C signed a regulated hire purchase agreement with TFS. The agreement was to fund the cost of a new car and £31,845.50 was the amount of credit advanced under the agreement. The hire purchase agreement refers to a number of things, including the hire purchase charge, acceptance fee, purchase fee and total charge for credit being £0.

The total amount payable was shown as £31,845.50 and the interest rate and APR were both shown as 0.00%.

Mr C complained to TFS about the potentially undisclosed commission that TFS paid the broker who arranged the hire purchase agreement for the car. He felt he may have lost out because of this and was seeking compensation from TFS. TFS responded to Mr C's complaint and as he remained unhappy with the response, he referred his complaint to our service.

One of our investigators considered the complaint and set out, in summary, that as Mr C had been provided with an interest free loan, even if there was an undisclosed commission or a tied arrangement between the broker and TFS, it was unlikely Mr C would have acted differently if the commission and any tied arrangement had been disclosed. The investigator also set out that as the cost of the hire purchase agreement was essentially zero, Mr C had not suffered a financial loss and the relationship between TFS and Mr C was ultimately not unfair.

Mr C did not accept the investigator's findings and referred to the recent Supreme Court¹ ruling relating to hidden commission. In summary, Mr C said that the Supreme Court found that undisclosed or inadequately disclosed commissions can create an unfair relationship under the Consumer Credit Act 1974 regardless of whether interest was charged.

¹https://supremecourt.uk/uploads/uksc_2024_0157_0158_0159_judgment_updated_3rd_Sept_4a120f2cfa.pdf

Mr C states the Supreme Court specifically found that the interest free status does not excuse non-disclosure and the unfairness lies in the secrecy, not the rate charged. Mr C also refers to the Financial Conduct Authority's proposed redress scheme and the average compensation expected for consumers.

As Mr C has not accepted the investigator's findings, the complaint has been referred to me so a final decision can be issued as the last stage in our process.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant law and regulations, regulators' rules, guidance and standards, codes of practice, and, where appropriate, what I consider to be good industry practice at the time. Mr C has referred to the recent Supreme Court judgment relating to undisclosed commissions and for clarity, that is also something I have considered.

Having considered everything the parties have provided in this complaint, I do not intend to uphold the complaint.

TFS has indicated that it did pay the broker who arranged Mr C's hire purchase agreement a commission and I have not seen anything in this case to indicate Mr C was made aware of the commission payment until he had complained about it.

The circumstances of the Supreme Court case do relate to undisclosed commission payments between the lenders and brokers. But the broader circumstances of the cases and Mr C's specific circumstances are significantly different in other ways. In particular, each of the three cases in the Supreme Court case required the respective consumers to pay varying levels of interest and charges on the amount they borrowed, whereas Mr C's loan did not incur any interest or charges.

The Supreme Court case related to three different consumers and sets of circumstances. While I accept an undisclosed commission *can* create an unfair relationship, this is not the sole consideration when determining whether or not there was an unfair relationship and the broader circumstances need to be considered. This is clear from the Supreme Court only finding in favour of one of the three consumers, where the commission amounts were not disclosed to the consumers in any of the cases.

Mr C refers to the unconfirmed commission, the difference in interest rates from those quoted to the ones he believes should have been quoted. He also refers to the amount he could have saved if he had known it may have been cheaper to take out a different credit agreement.

The hire purchase agreement in this case shows that Mr C did not incur any charges or interest on the £31,845.50 he borrowed to fund the cost of the car. The agreement refers to the total charge for credit being £0 and as the investigator has previously set out, Mr C got an interest free loan for the car. Put another way, Mr C was only required to pay the cash price of the car and by taking out the hire purchase agreement with TFS, it cost him nothing more than if he'd paid cash for the car.

Even if Mr C was told about the commission payment that TFS made to the broker, or further details about the relationship between TFS and the broker, I do not consider Mr C would have ultimately done anything different than proceed with the 0% agreement with TFS. As the interest rate and APR was 0%, Mr C would not have obtained cheaper finance.

Having considered all of the relevant circumstances of Mr C's complaint, I am satisfied that Mr C didn't suffer a financial loss as a result of TFS providing him with this 0% APR or interest free hire purchase agreement. I'm also not persuaded that a court would find the overall relationship between TFS and Mr C was ultimately unfair to Mr C.

Finally, Mr C has referred to the Financial Conduct Authority's proposed redress scheme and that the average compensation amount expected for consumers as being £700. The Financial Conduct Authority has been clear in its consultation paper and other publications around what it considers to be an average redress payment for qualifying consumers that are due redress. The same consultation paper and other publications are also clear that this is an average redress payment and the different consumers' circumstances will impact the amount of any award due. And, that even where there was an undisclosed commission payment between the lender and broker, not all consumers will be due a redress payment.

Having considered all of the specific circumstances surrounding the hire purchase agreement Mr C took out with TFS, which amongst other things includes the Supreme Court judgment and proposed redress scheme by the Financial Conduct Authority, I'm not persuaded there are sufficient grounds to uphold this complaint.

My final decision

My final decision is that I do not uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 February 2026.

Mark Hollands
Ombudsman