

Complaint

Mrs C complains that Toyota Financial Services (UK) PLC (“Toyota FS”) failed to act fairly and reasonably towards her when entering into a hire purchase agreement with her.

She complained that Toyota FS didn’t disclose the commission it paid to the motor dealer that introduced her business. She said she may have made a different decision if she’d been made aware of the commission and was deprived of this opportunity.

Background

Mrs C, together with her husband, has complained about Toyota FS’ failure to disclose the commission it paid to the motor dealer at the time of entering into a number of hire purchase agreements. However, we’ve considered each complaint separately. And this decision is only considering the complaint Mrs C has made regarding events when she entered into her October 2016 hire purchase agreement with Toyota FS.

In October 2016, Mrs C sought finance for a brand-new car. The purchase price of the car was £22,500.00. Mrs C part-exchanged her existing car and received £2,235.72 for it after the finance on that agreement was settled. This £2,235.72 was used as a deposit. Mrs C also obtained this car at a time where Toyota FS was offering a deposit contribution of £1,000.00. So all of this meant that Mrs C paid a total deposit of £3,235.72 and she required finance for the remaining £19,314.28. After Toyota FS accepted her application she entered into a hire purchase agreement with it for this this amount.

The agreement had a term of 42 months and was interest and fee free. This meant that £19,314.28 was due to be paid in a first monthly instalment of £281.78, followed by 40 monthly instalments of £281.75 and then an optional final payment of £7,762.50 which Mrs C needed to make if she wished to exercise her option to keep the car at the end of the agreement.

One of our investigators considered the complaint. They thought Toyota FS hadn’t treated Mrs C unfairly when entering into this hire purchase with her. So they didn’t recommend that Mrs C’s complaint should be upheld.

Mrs C disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs C’s complaint. I’ll explain why in a little more detail.

Toyota FS has provided evidence to confirm it paid Mrs C’s motor dealer £418.00 in commission for introducing her business. Mrs C’s complaint is that she wasn’t told about this

commission payment and she's said this means there were a number of breaches of the applicable regulations. Mrs C's complaint is essentially that she lost out financially because of the £250.00 commission payment that Toyota FS paid.

I've also been provided with a copy of Mrs C's hire-purchase agreement. Having reviewed it, I can see that the interest rate on it is 0% as is the APR. The total cost of the credit is also £0. As Mrs C was provided with interest free credit, I'm satisfied that even if Toyota FS did pay the broker an undisclosed commission, or there was a tied arrangement between it and the broker, I think it unlikely (and less likely than not) that Mrs C would have acted any differently had this been disclosed to him at the time.

In reaching my conclusions, I've considered Mrs C's comments regarding the Supreme Court's judgment in *Johnson*¹ and what she has said about the Financial Conduct Authority's ("FCA") proposed redress scheme. I've also thought about what she has said about being overcharged and being deprived of seeking a cheaper alternative.

Mrs C is correct to say that in *Johnson* the Supreme Court held that an undisclosed commission *could* result in the lending relationship between the creditor and the debtor being unfair to the debtor under Section 140A of the Consumer Credit Act 1974. However, it's clear that the Supreme Court held that whether the lending relationship between a creditor and a debtor will in fact be unfair to the debtor isn't solely down to whether any commission is undisclosed or hidden.

Whether or not an undisclosed commission does result on an unfair relationship depends on a number of factors. These factors, amongst other things, included the size of the commission when compared to the amount borrowed and the cost of the credit. In this case, I think it's very unlikely that the commission of £418 which was a very small proportion of the amount Mrs C borrowed would have been a major consideration in Mrs C's mind, in circumstances where the credit was interest free and Mrs C was also receiving a deposit contribution of £1,000.00.

Where there was no cost to the credit Mrs C was provided with and she also received a £1,000.00, I can't see how she would have thought that the commission was leading to her being overcharged. I don't think that it was possible for her to obtain finance on better terms and so I'm not persuaded that any failure to disclose the commission meant that the lending relationship between Toyota FS and Mrs C was unfair to Mrs C.

For the sake of completeness, I've noted that Mrs C believes that the fact that this agreement has been looked at separately from her others (and those of her husband) has resulted in the full substance of her claim not being considered. However, this agreement isn't a related agreement for the purposes of the Consumer Credit Act 1974. So I'm satisfied that it is correct to look at this agreement on its own when determining whether the lending relationship between Toyota FS and Mrs C was unfair to Mrs C.

Mrs C also argued she should be paid £700 as this is average amount that the FCA has estimated that consumers, who have a complaint upheld, in its proposed redress scheme. However, the FCA's redress scheme is only a proposal at this stage and hasn't been finalised. Furthermore, the FCA has been clear in stating that redress will only be paid to consumers that have successful claims under the scheme and as not all claims will succeed, not all consumers will receive redress.

¹ *Hopcraft and another (Respondents) v Close Brothers Limited (Appellant); Johnson (Respondent) v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant); Wrench (Respondent) v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant)* [2025] UKSC 33

In any event and most importantly, my role here is to determine what's fair and reasonable in all the circumstances of Mrs C's particular complaint. For the reasons I've explained, I'm satisfied Mrs C didn't suffer a financial loss as a result of Toyota FS entering into this interest-free hire purchase agreement with her. The fact that some consumers who go on to have a successful claim in the FCA's proposed redress scheme, as a result of it being determined they did suffer a financial loss, may receive an average redress payout of £700 doesn't alter the fact that I'm satisfied Mrs C didn't lose out in this case. So Mrs C's arguments about the FCA's proposed redress scheme haven't persuaded me to alter my conclusions either.

Overall and having carefully considered everything, I've not been persuaded to uphold Mrs C's complaint. I appreciate that this will be disappointing for her. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 25 February 2026.

Jeshen Narayanan
Ombudsman