

The complaint

Mr H complains about additional interest charges he was asked to pay when settling his finance agreement with Volkswagen Financial Services (UK) Limited trading as Skoda Financial Services (who I'll call 'SFS').

What happened

Mr H took out a hire purchase agreement with SFS in May 2025. He says he was persuaded to take out finance rather than to pay cash as he was offered a £750 manufacturer contribution if he did so. He understood that the cash price was £21,980 and he'd need to pay about £200 in interest and on that basis, he believed he'd still be £550 better off. When he came to settle the deal, he was disappointed to find SFS added 58 days additional interest amounting to £353. As a result, Mr H says the net benefit of the manufacturer contribution was reduced to around £198, he considered that unfair and contrary to what he had been led to expect.

He was disappointed with SFS's response, so he referred his complaint to this service. But when our investigator didn't think SFS had been unreasonable Mr H asked for a final decision by an ombudsman.

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 agree with the investigator's view of this complaint and for broadly the same reasons.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mr H acquired his car under a hire purchase agreement, which is a regulated consumer credit agreement. This means our service is able to consider complaints about it.

Section 56 of the Consumer Credit Act (1974) explains that finance providers are liable for what they say and for what is said by a credit broker or a supplier (where there's a debtor-creditor-supplier agreement) before the consumer takes out the credit agreement.

Misrepresentation is, in very broad terms, a statement of law or of fact, made by one party to a contract to the other, which is untrue, and which materially influenced the other party to enter into the contract.

So, if Mr H was told something that was false by the broker or the dealership and if I was persuaded that had materially influenced him to enter into an agreement he wouldn't otherwise have entered into, I may ask SFS to take some action.

I appreciate why Mr H feels disappointed by the outcome. In practical terms, the benefits of the £750 contribution was significantly eroded once daily settlement interest was applied. However, disappointment alone doesn't mean the business acted unfairly.

The Consumer Credit Early Settlement Regulations (2004) allow a lender to charge interest for the period between the last instalment date and the settlement date, typically capped at up to 58 days. That isn't a penalty; it's how the law ensures lenders receive interest for credit already provided. There's nothing unusual or improper about applying this, even where settlement happens very early in the agreement.

Importantly, Mr H was aware that interest would be payable under the finance and estimated it to be around £200. While the actual figure was higher, the difference is explained by the statutory method used to calculate early settlement interest, rather than by any discretionary or unexpected charge applied by the business.

I don't think the manufacturer contribution was misrepresented. The contribution was applied as agreed at the outset. It wasn't conditional on keeping the finance for a minimum period, nor was it withdrawn. What reduced the net benefit was the lawful application of interest following Mr H's own decision to settle early.

I don't think the business was required to illustrate a specific 'net outcome' assuming settlement after a matter of weeks. Firms aren't generally expected to model hypothetical early settlement scenarios.

My final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 6 March 2026.

Phillip McMahon
Ombudsman