

The complaint

Mr D complains about BMW Financial Services' (BMWFS) handling of a hire-purchase agreement he entered into with it.

What happened

In September 2023, Mr D entered into a hire-purchase agreement with BMWFS to facilitate the purchase of a motorbike.

The total amount due under the agreement, including interest and charges, was £24,214. This was to be repaid through 46 monthly repayments of £325. The Annual Percent Rate of Charge (APR) applied to the agreement was 11.9%.

In February 2025, BMWFS contacted Mr D to inform him that the APR it had applied to his agreement was incorrect and it should, in fact, have been 8.9%. BMWFS sent Mr D a new agreement to sign and return. Mr D noticed that the new agreement stated it had 48-month term beginning in February 2025. As Mr D was already around 13 months into his original agreement, he was unwilling to sign this document.

Around this time, Mr D complained to BMWFS about its handling of the situation.

In late March 2025, BMWFS sent Mr D an email with the new credit agreement containing the correct APR. It also said that, upon receipt of his signature on the new agreement, it would be backdated to the original start date (September 2023).

Mr D remained unhappy with this and only agreed to proceed once he received a document from BMWFS on letter-headed paper confirming the correct start date of the agreement. I understand the credit agreement was signed and returned by Mr D in early April 2025 - and the 'new' agreement was set up on 15 April 2025.

Then, on 17 April 2025, BMWFS issued its final response to Mr D's complaint. In short, BMWFS accepted that it made an error when it applied the incorrect APR at the time the agreement was accepted which resulted in Mr D being overcharged a total of £623.01 in interest. It said that this figure would be refunded within six working days (of 18 April 2025). It also offered Mr D £250 *"in view of the distress and inconvenience caused"*.

Unhappy with this, Mr D referred his complaint to our service.

It appears the refund of overcharged interest was not paid to Mr D following BMWFS final response, despite him chasing multiple times.

It is my understanding the agreement was then settled in early May 2025. The interest overpayment (which had still not yet been paid to Mr D) was used to reduce the settlement figure.

In July 2025, one of our investigators looked into matters. In short, the investigator said that the level of compensation BMWFS (£250) was fair and reasonable in the circumstances.

However, the investigator said that BMWFS should add 8% simple interest to the total overpaid interest to recognise the period Mr D had been without use of the funds.

BMWFS accepted the investigators findings. But Mr D did not agree.

In the period that followed, there was quite a lot of back and forth between the investigator, Mr D and BMWFS.

Then, in November 2025, BMWFS offered a further £100 compensation (thereby bringing the total to £350) "*as a result of the delays and lack of communication*".

The investigator shared their thoughts regarding this updated offer with Mr D; in short the investigator thought it was fair and reasonable in the circumstances.

Mr D did not think the level of compensation fairly reflected the impact this matter has had on him and, as an agreement couldn't be reached, the complaint 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.

Having done so, I've reached the same conclusion as our investigator and for broadly the same reasons. I understand this will come as a disappointment to Mr D, but I'll explain why I think this is a fair outcome in the circumstances.

However, before I do, I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

There are a few factors at play so, for ease of reference, I'll address them individually.

Incorrect APR

It is not in dispute that the incorrect APR was applied at the time the agreement was entered into. Therefore, I need not consider that again. However, what appears to be in dispute is the point at which BMWFS first notified Mr D of its error, as well as the extent to which BMWFS should compensate Mr D for the losses (both direct and indirect) which he says flowed from this error.

The investigator asked BMWFS when it first became aware of the problem. It said that it became aware of the problem in December 2023¹ at which time it contacted the retailer with

¹ I note this is at odds with its final response to Mr D, in which BMWFS said "*multiple attempts were made to correct this mistake through both [the retailer] and BMWFS since September 2023 without success*".

details about the problem and “*instructions on how to resolve*”. BMWFS said, in the period that followed, it sent chaser emails to the retailer. It appears that it was not until February 2025 – having not had success via the retailer – that BMWFS made a decision to contact Mr D.

On balance, it seems likely BMWFS became aware of this problem in December 2023. With that being the case, it strikes me as wholly unacceptable that it did not notify Mr D about the problem – or take positive steps to correct the mistake (such as drawing up a new agreement) - until February 2025. I don’t think it was reasonable to continue chasing the retailer for a period of around 14 months without stepping in sooner. BMWFS has not provided a reasonable explanation as to why it did not notify Mr D sooner.

With that being the case, I am satisfied that BMWFS did not take any steps to notify Mr D about this problem before February 2025.

I have gone on to think about the impact (both direct and indirect) this matter had on Mr D.

Direct loss

The first issue is the financial loss Mr D suffered as a result of the incorrect APR being applied to his agreement. Clearly being charged a higher APR meant Mr D was paying more each month than he otherwise would have done. BMWFS calculated this figure to be £623.01.

To put Mr D back in the position he would have been, it is right that this figure be refunded to Mr D (or used to reduce the settlement figure in the event the agreement was settled early, as was the case here).

But, as the investigator noted, this doesn’t go far enough. After all, but for BMWFS’ mistake, Mr D would have had use of the funds which he could have put to another purpose (for example putting it into an interest-bearing savings account). So, to put Mr D back in the position as far as practicable, BMWFS should add interest to the overpayments to recognise Mr D’s loss of use of the funds.

Ordinarily, I would direct BMWFS to add interest at 8% per year simple on the overpayments from the date each overpayment was made by Mr D to the date of the agreement was settled.

However, I note that during the course of the investigation, BMWFS were asked to provide an example of the interest calculation by the investigator to help Mr D understand what it means for him. In doing so, BMWFS provided an example whereby it applied 8% simple interest per year on the total overpaid amount (£623.01) from the date the agreement was incepted ‘*for ease and to benefit [Mr D]*’.

As BMWFS appears to be willing to calculate the interest in this way – and as it is more beneficial for Mr D – I will depart from the usual recommendation in circumstances such as this and, instead, direct BMWFS to apply 8% simple interest to the total overpaid amount (£623.01) from the beginning of the agreement in September 2023 until the finance was settled in May 2025. As the agreement is now settled, the interest payment should be paid directly to Mr D if it has not been already.

In response to the investigator’s initial findings, Mr D queried what we meant by an award of 8% interest. Indeed, I note that after his complaint was referred to an Ombudsman, Mr D said “*8% means nothing me [and] hopefully this will be made clearer going forward*”

With that in mind, I hope the above explains *why* I think BMWFS should apply interest to the overpaid interest figure. More information about how our service's approach to compensation – including interest awards - can be found on our website: (<https://www.financial-ombudsman.org.uk/consumers/expect/compensation>).

Indirect loss

I'll now turn to the indirect loss Mr D incurred as a result of BMWFS' error. It's important to be clear that just because a business makes a mistake it does not automatically follow that compensation is due. It is important to look at what flowed from that mistake. I've kept that in mind when considering this matter.

In its final response, BMWFS accepted that the application of the incorrect APR and the time taken to resolve the matter had caused "*distress and inconvenience*" and, as a result, it offered £250 compensation².

The crux of Mr D's complaint now is that he thinks he should be awarded more than £250 compensation (he has mentioned double or triple this amount is warranted in the circumstances).

I think it's worth saying here that my role is to resolve this particular complaint in a fair and reasonable way. It isn't to punish BMWFS for its mistakes or to act as BMWFS' regulator.

And it is worth adding that – in the circumstances of this specific case - any award of compensation is somewhat tempered by the fact that Mr D was unaware there was a problem until he was told by BMWFS in February 2025. And, as Mr D has not made our service aware of any issues with making repayments under the agreement from its inception until February 2025, I don't think Mr D suffered any trouble or upset (setting aside the financial loss I've referenced earlier) as a result of BMWFS' error prior to this point.

I can see Mr D was first told about the problem in late February 2025. At that time, BMWFS drew up a new credit agreement with a term of 48-months beginning in February 2025. As Mr D was already around 13 months into his original agreement he was, quite understandably, unwilling to sign this document.

I can see that Mr D contacted BMWFS multiple times in the days and weeks that followed to get this matter resolved. And in his complaint email dated 3 March 2025 he specifically asks for a "*reworded finance agreement with the actual term outstanding on my agreement clearly stipulated or you could reword the documents to lower the balloon payment taking into account my overpayments*" which doesn't seem unreasonable in the circumstances.

I can see that, on 31 March 2025, BMWFS sent Mr D an email confirming that the "*agreement will be backdated to the original start date 7 September 2023 and will conclude on 7 September 2027*" but that it needed Mr D's signature in order to reload the agreement.

Mr D was not happy with this and, following further correspondence between both parties, a telephone call took place on 8 April 2025 in which BMWFS agreed to "*put it [the term of the agreement] in writing on a header letter*" alongside the new credit agreement. It appears Mr D was satisfied with this and duly signed and returned the new credit agreement a few days later.

² This is distinct from the additional £100 BMWFS offered in November 2025 in recognition its failure to release the refund in April 2025. I'll address that matter later in the decision.

I can understand why Mr D was reluctant to sign the new credit agreement without a reasonable degree of reassurance regarding its term. I think Mr D was acting as a reasonable consumer would in the circumstances. And I think it is fair to say BMWFS could have been more proactive in resolving this matter – after all Mr D was willing to proceed with a document on letter headed paper which BMWFS could have proposed much sooner.

And, as a result, Mr D was put to unnecessary inconvenience due to having to chase BMWFS for a response and/or updates multiple times. And, on occasion, it appears BMWFS took some time to respond to Mr D. I accept that Mr D has been inconvenienced and worried by BMWFS' failures. And Mr D has been open and honest about the impact the stress caused by this matter has had on him. I would like to thank him for sharing this information.

Looking at things in the round, whilst I accept this will come as a disappointment to Mr D, I think an award of £250 is fair and reasonable here. I say this noting that the Mr D was made aware of the problem in late February 2025 and the new agreement was signed in early/mid-April. So, the substantive issue (i.e. the application of the incorrect APR) was resolved in a period of about five to six weeks. Given the nature of BMWFS' mistakes and what Mr D has told us about the impact of what happened on him – and keeping in mind the time it took to correct the agreement - I'm satisfied that £250 is in line with awards this service makes when a business is responsible for repeated mistakes that have impacted a customer over a number of weeks.

With that being the case, I won't be directing BMWFS to make a further award here.

Delay in interest refund

In its final response letter, BMWFS said that Mr D was due a refund of £623.01 for overpaid interest from the inception of his agreement as a result of the incorrect APR have been applied. It said this would be paid within six working days as of 18 April 2025.

BMWFS failed to make this payment to Mr D in the agreed timeframe which, noting what had gone before, must have been very frustrating for him. BMWFS has not been able to explain why this payment did not go through.

I can see Mr D contacted BMWFS a number of times – by both phone and email – on 1, 2, 4 and 6 May 2025 to find out what was going on with regards to the payment. And based on the contemporaneous contact notes I can't see that BMWFS addressed Mr D's query/concerns effectively.

In November 2025, BMWFS offered a further £100 (bringing the total compensation package to £350) "*as a result of these delays and lack of communication*".

I can see Mr D made a payment to settle the agreement on 7 May 2025 (it appears the settlement of the account was completed on 12 May 2025). It is my understanding he did so by taking out a loan with another provider. The overpaid interest payment was used to reduce the settlement figure.

It is not in dispute that BMWFS made another mistake here. It should have processed the refund within six working days of its final response as it said it would. And its failure to do so – or meaningfully engage with Mr D when he contacted it about this matter - would have caused added frustration to Mr D.

However, looking at the timeline here, I am satisfied that a further £100 compensation is fair and reasonable in the circumstances. I say this noting that the deadline to provide the refund was 28 April 2025 (six working days from 18 April 2025). And the settlement figure – which

was reduced by the overpaid interest – was paid on 7 May 2025. By that point, Mr D had ‘received’ (albeit via a reduction of his settlement figure) the refund he was due. So, the overall period Mr D was unsure what was happening with the refund was a little over a week.

In that context, I am satisfied an award of £100 is fair and reasonable in the circumstances and I won’t be directing BMWFS to increase this award.

Settlement of the agreement

It is Mr D’s contention that he was “*forced [by BMWFS] into settling the finance to obtain this money [£623.01] back*”. Mr D says he took out a loan with another lender to repay the finance in question which is (or was) costing him more than he was paying with BMWFS.

Like our investigator, I’m not persuaded that BMWFS left Mr D with no choice but to take out a new loan to settle the agreement in question solely because it had delayed issuing a refund of overpaid interest. I think this was a financial decision Mr D made of his own accord and I cannot reasonably say BMWFS are liable for any losses which flowed from that decision.

I say this because there are certain considerations I must make before I can fairly direct BMWFS to reimburse the losses Mr D says he’s incurred. One of these is that I need to be satisfied that those losses were a reasonably foreseeable consequence of its error – taking all of the relevant circumstances into account. On balance, I am not persuaded that BMWFS could reasonably foresee that Mr D would take out a (more expensive) loan with another provider to repay the finance in question in order to obtain a refund of overpaid interest.

Therefore, I do not uphold this aspect of Mr D’s complaint.

Was the agreement mis-sold?

A common thread running through Mr D’s submissions to our service – including in response to the investigator’s opinion – is that the agreement was mis-sold due to the application of the incorrect APR at the point of sale.

When a business makes a mistake – as BMWFS has accepted it is the case here – it is important to think about what would have happened but for the mistake. It is not sufficient to say there was a mistake therefore the agreement was mis-sold.

If everything had gone as it should have done – and the correct APR had been applied at the point of sale – I find it highly likely that Mr D would have still entered into the agreement. After all, he was willing to proceed with the agreement at a higher APR.

So, whilst it *may* be the case that the agreement was mis-sold, I don’t think the cause of the alleged mis-sale (i.e. the incorrect APR) made a material difference to Mr D’s decision to enter into the agreement.

With that being the case, even if I were to accept that the agreement had been mis-sold, I don’t think BMWFS would need to take any further action to put things right.

Summary

In summary, I uphold Mr D’s complaint in part, and I direct BMWFS to take the steps set out below to put things right.

I understand this will come as a disappointment to Mr D. However, Mr D does not have to accept my findings and, if he wishes, he can pursue his dispute through more formal avenues such as court (seeking appropriate legal advice as he sees fit).

Putting things right

In order to put things right, I direct BMWFS to:

- Pay Mr D compensation totaling £350 (if it has not done so already); and
- Apply 8% simple interest* to the total overpaid amount (£623.01) from the beginning of the agreement in September 2023 until the finance was settled in May 2025. As the agreement is now settled, the interest payment should be paid directly to Mr D.

*HM Revenue & Customs requires BMWFS to deduct tax from this interest. BMWFS should give Mr D a certificate showing how much tax it's deducted, if he asks for one.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr D's complaint about BMW FINANCIAL SERVICES (GB) LIMITED and it should settle the complaint in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 20 February 2026.

Ross Phillips
Ombudsman