

The complaint

Mr M complains that BMW FINANCIAL SERVICES (GB) LIMITED, trading as BMW Financial Services, failed to act fairly and reasonably towards him when entering into a hire purchase agreement with him.

He complained that BMW didn't disclose the commission it paid to the motor dealer that introduced his business. He said he may have made a different decision if he'd been made aware of the commission and was deprived of this opportunity.

What happened

In September 2017, Mr M sought finance for a brand-new car. The hire purchase agreement sets out that the price of the car was £34,498.52. Mr M paid no deposit, but it would appear that BMW provided a deposit contribution of £3,250. So I accept the possibility that the car may in fact have been priced at just under £37,750. Ultimately, this issue has no bearing on the outcome of this complaint.

The agreement had a term of 48 months and was interest and fee free. This meant that £34,498.52 was due to be paid in 47 monthly instalments of £524.33, followed by an optional final payment of £9,855.01 which Mr M needed to make if he wished to exercise his option to keep the car at the end of the agreement.

One of our investigators considered the complaint. They thought BMW hadn't treated Mr M unfairly when entering into this hire purchase with his. So they didn't recommend that Mr M's complaint should be upheld.

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

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.

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Having carefully considered everything, I've decided not to uphold Mr M's complaint. I'll explain why in a little more detail.

BMW has provided evidence to confirm it paid Mr M's motor dealer £150.00 in commission for introducing his business. (As an aside, Mr M appears to believe that the commission payment was £300.00. However, that amount would seem to be in relation to a different hire purchase agreement – not this one, which started in September 2017.)

Mr M's complaint is that he wasn't told about this commission payment and he's said this lack of transparency has led him to question, "...*whether the relationship was fair and*

whether [he] was given sufficient information to provide informed consent at the point of sale.”

Mr M's complaint is essentially that he lost out financially because of the £150.00 commission payment that BMW paid. He says that, despite the borrowing being interest free, he must somehow have absorbed the £150 cost of the commission, and that BMW cannot provide evidence to the contrary.

Mr M accurately highlights that, “...*the courts have upheld the principle that non-disclosure of commission [is] capable of influencing a broker's conduct [and] can give rise to an unfair relationship.*”

Mr M is quite 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 is also 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 based on whether any commission is undisclosed or hidden.

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

In reaching my conclusions, I've considered Mr M's comments regarding Court findings and Financial Conduct Authority's ("FCA") proposed redress scheme to deal with concerns about motor finance commission. He says that, “...*the absence of interest charges...does not, in itself, resolve concerns about undisclosed commission or conflicts of interest.*”

Whether or not an undisclosed commission *does* result in an unfair relationship depends on a number of factors. These factors, amongst other things, include 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 £150, which was a vanishingly small proportion of the amount Mr M borrowed, would have been a major consideration in Mr M's mind, in circumstances where the credit was interest free and Mr M was also receiving a deposit contribution of £3,250.00. On that basis, I cannot see how, had he been fully aware of the very modest commission payment, Mr M would have thought that was leading to his being overcharged.

Mr M says that, had he been aware of the commission payment, he would have questioned both the price of the car and whether the, “...*finance terms offered truly reflected best value...*” He says he would have shopped around, both in terms of motor dealers and finance providers. Finally, he says that he, “...*may have negotiated differently or chosen a different funding route altogether, including independent finance or paying a greater proportion in cash.*”

Quite simply, I don't think that it was in any way possible for Mr M to obtain finance on better terms. He paid no deposit at all, and drove away a brand-new car using interest free finance. He has confirmed his complaint is not about the headline price of the car, but the lending relationship between him and BMW. I have seen nothing to persuade me that, in all the circumstances of this transaction and this complaint, any failure to disclose the commission meant that the lending relationship between BMW and Mr M was unfair to Mr M.

Overall and having carefully considered everything, I therefore do not uphold this complaint.

I appreciate that this will be disappointing for Mr M. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to

My final decision

For the reasons I have set out, I do not uphold this complaint and BMW doesn't need to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 March 2026.

Siobhan McBride
Ombudsman