

## The complaint

Mr H complains about being overcharged interest on a hire purchase agreement taken out with Volkswagen Financial Services (UK) Limited (“VWFS”).

## What happened

In September 2023, Mr H acquired a used car using a hire purchase agreement with VWFS. The agreement was for 49 months, and it set out:

*“The Rate of Interest (calculated in the same way as the APR, but excluding fees) is 11.34% pa. This rate is fixed for the duration of this Agreement. The interest payable is calculated at the outset of the Agreement, and is included in the monthly repayments stated...”*

Mr H believed that the interest rate expressed in the agreement had been rounded down and believed he was being charged a higher rate. Mr H also said he made regular partial payments to reduce the interest that was being charged. However, he believed the interest rate that was being applied to the agreement slightly varied after each repayment, rather than remaining fixed over the length of the agreement at 11.34%. Mr H explained that on occasions, the interest rate that was being applied varied from around 0.0037% to around 0.1227%.

Mr H said he complained to VWFS. In March 2025, VWFS issued their final response, where they explained that they didn’t think they had done anything wrong.

Unhappy with VWFS’s final response, Mr H referred his complaint to our service in September 2025.

Our investigator issued his opinion where he explained that he didn’t think VWFS had acted unfairly or unreasonably.

Mr H disagreed with the investigator’s findings. Among other things, Mr H believed the interest rate was a driver in determining the loan repayment amount.

As Mr H disagreed with the investigator’s view, the complaint was 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’m not upholding this complaint and I’ll explain why below.

I’m aware I have summarised events and comments made by both parties very briefly, in less detail than has been provided, largely in my own words. No discourtesy is intended by this. In addition, 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 point or argument to be

able to reach what I think is a fair outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

Mr H complains about a hire purchase agreement entered into with VWFS. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mr H's complaint about VWFS.

Mr H makes the argument that he had been overcharged due to VWFS recording an interest rate of 11.34% on the agreement, and he thinks this rate wasn't fixed as it should have been. Mr H believes that the interest rate should have been 11.3437%, but that it varied slightly from this or the recorded interest rate, following some partial payments he had made to reduce the interest charged.

In relation to the way the interest rate was recorded on the agreement, it isn't in dispute here that VWFS expressed a rounded down rate, as they have accepted the effective interest rate per annum was 11.3437%. It isn't clear whether the interest rate stated on the agreement was the nominal or simple rate, rather than the effective rate. But in any event, I think it was fair and reasonable for VWFS to have recorded the interest rate on the agreement in the way they did. I haven't seen anything to suggest VWFS weren't complying with the relevant law, guidelines, and regulations, in recording the interest rate in the way they had. And more generally, I think the way it was shown on the agreement (i.e. rounded down) to be reasonable. It simplifies and presents the rate in a way to help the average consumer understand and review it.

Turning my attention now to how Mr H believes the interest rate of 11.34% wasn't fixed as he had expected but had rather slightly varied during the term of the agreement. VWFS has explained that the interest rate stated in the agreement was not used to calculate the monthly repayments that were required. VWFS say that the repayments that were required were based on the total amount payable, the cash price of the car, the advance payment amount, and the option to purchase fee. So, they believe the rounding of the interest rate or the rate recorded on the agreement had no impact on Mr H but was rather only provided to comply with their legal obligations.

It is clear from Mr H's submissions that he is well versed in the technicalities of financial mathematics. I don't claim to be an expert in this field, nor do I feel I need to be, to reach a fair and reasonable outcome to this complaint. Ultimately, what I need to consider is the impact the interest rate reported on the agreement has had on Mr H. While I appreciate Mr H believes the interest rate is a primary driver in determining the repayments required, VWFS has explained that it isn't. VWFS has explained that the nature of this hire purchase agreement should be treated like a hire agreement, with an option to purchase. As such, the concept of "interest" and the rate applied is notional – and rather, the primary drivers in determining the repayments owed are based on the total amount payable, the cash price of the car, the advance payment amount, and the option to purchase fee.

In addition, I don't think VWFS has made a mistake on the face of the credit agreement. So based on my findings, I don't think the agreement is unenforceable. However, if I am wrong about that, I do not think a loan being unenforceable (in itself) means I ought to direct VWFS to do anything. In practice, if the agreement was unenforceable, that means that VWFS could not pursue Mr H through the courts for the money owed if he stopped making repayments, unless it first got a court order saying that it could take that action. So even if I accepted that the agreement was unenforceable (which is ultimately a matter for the courts), all it would mean was that VWFS could not pursue Mr H. It does not mean that Mr H would be entitled to a return of what he paid. And in any event, as Mr H has been making his payments on time, I would not make any direction to VWFS in those circumstances.

Given that the interest rate disclosed wasn't used to determine the monthly repayments required under the agreement, I'm not satisfied there has been any detriment to Mr H because of it. And I'm satisfied that the agreement was clear in setting out to Mr H what the total amount payable was. So, it follows that I don't think VWFS needs to do anything further.

### **My final decision**

For the reasons I've explained, I don't uphold this complaint. So, I don't require Volkswagen Financial Services (UK) Limited to do anything more here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 April 2026.

Ronesh Amin  
**Ombudsman**