

The complaint

Mr H complains that BMW FINANCIAL SERVICES (GB) LIMITED trading as BMW Financial Services (who I'll call BMWFS) haven't explained how they calculated an early settlement.

What happened

I issued a provisional decision on this complaint last month. An extract from that decision is set out below.

Mr H took receipt of a car in August 2020. He financed the deal through a hire purchase agreement with BMWFS. He repaid the agreement early in April 2023. BMWFS subsequently wrote to him and explained they'd made an error calculating the interest rebate. They provided a cheque for £188.55 that they said was payment in relation to an error made in the calculation of that rebate and which they explained also included a payment of interest on this sum at 8% per year. Mr H asked for a breakdown of how they'd calculated the revised figure, but BMWFS said they couldn't provide that as it was system generated.

When Mr H referred his complaint to this service our investigator didn't think BMWFS had done anything wrong. He explained that BMWFS had used the correct formula, defined under the Consumer Credit (Early Settlement) Regulations 2004, to calculate the settlement and as there was no evidence the figure was wrong he couldn't say they'd been unreasonable in their calculation.

Mr H disagreed. He said they'd already explained they'd got the earlier figure wrong so how could he be sure they hadn't got this one wrong too? He said it was unfair to put the onus on him to calculate it and that BMWFS needed to be more transparent.

What I've provisionally 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 don't currently agree with the investigator's view of this complaint, and I'm currently inclined to uphold it in part.

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 regulated consumer credit agreement. This means our service is able to consider complaints about it.

In deciding what is fair and reasonable, I've taken into account: the Consumer Credit Act (1974) and the Consumer Credit (Early Settlement) Regulations (2004); the relevant regulatory principles and good industry practice; and what I consider to be fair and reasonable in all the circumstances.

Was BMWFS required to show a full calculation

The Early Settlement Regulations require a lender to provide an early settlement figure calculated in accordance with the statutory formula. They do not require a lender to provide a worked, line by line breakdown of that calculation or to disclose internal system logic.

I therefore do not consider it reasonable to require BMWFS to produce a full mathematical derivation of the early settlement figure.

Was BMWFS's handling fair and reasonable?

However, this complaint does not arise in a vacuum.

BMWFS accepted that the original early settlement figure it provided was wrong and that the error arose from its systems.

Once that error had been identified and corrected, it was reasonable for Mr H to question the reliability of the revised figure and to seek reassurance as to how it had been calculated.

In those circumstances, I would have expected BMWFS to do more than simply state that the calculation was automated and that a breakdown could not be provided. While BMWFS was not required to disclose its systems or provide a full calculation, fairness required them to provide meaningful and intelligible information to address Mr H's legitimate concerns.

In particular, I think BMWFS should have:

- *Explained that the revised figure was calculated in accordance with the Consumer Credit (Early Settlement Regulations 2004).*
- *Provided a high-level explanation of the inputs used in the calculation and the nature of the earlier error.*
- *Offered reassurance as to why the revised figure could now be relied upon.*

BMWFS did not do this. By failing to explain the statutory basis of the calculation or to meaningfully address the loss of confidence caused by its earlier mistake, BMWFS fell short of what I consider fair and reasonable handling of Mr H's concerns.

Did this cause Mr H financial loss?

Mr H has not provided evidence that the revised early settlement figure was itself incorrect, and I have not seen anything to suggest that it was.

I'm therefore not persuaded that Mr H suffered a financial loss as a result of BMWFS's handling of this matter.

My current position

I don't think BMWFS was required to provide a full breakdown of the early settlement calculation; but they acted unfairly by failing to provide an adequate explanation or reassurance after correcting an acknowledged error.

I'm therefore expecting to uphold the complaint to a limited extent, for distress and inconvenience only.

Mr H has had to escalate his complaint to this service in order to receive a reasonable explanation and he's been kept waiting for some time. He's explained that he couldn't accept BMWFS's offer of £188.55 as he couldn't be sure it was correct. In the circumstances, I'm expecting to tell BMWFS to pay him £200 in respect of the distress and inconvenience caused.

BMWFS should also provide Mr H with a clear written explanation confirming that the revised early settlement figure was calculated in accordance with the Consumer Credit (Early Settlement) Regulations 2004 (if indeed it was), together with a high-level explanation of the basis of the calculation and the nature of the earlier offer. In the unlikely event that BMWFS confirm the rebate wasn't calculated in line with those Regulations I leave it open for Mr H to raise a further complaint with BMWFS about the quantum of the rebate as that's not something I've considered here.

The earlier refund of £188.55 included interest at 8% per year because Mr H had been deprived of that money. He was told that accepting the payment would amount to settling the complaint in full, so I don't think it was unreasonable that he chose not to cash the cheque. BMWFS will need to recalculate the interest owed on any sums that require refunding, from the date they became due until the date this complaint is resolved.

My provisional decision

I'm currently inclined to uphold this complaint in part and to tell BMW FINANCIAL SERVICES (GB) LIMITED to:

- *Pay Mr H £200 to compensate him for the distress and inconvenience caused.*
- *Provide Mr H with a clear written explanation confirming whether the revised early settlement figure was calculated in line with the Consumer Credit (Early Settlement) Regulations 2004. This explanation should also include a simple overview of the key elements used in the calculation and a brief description of what went wrong with the earlier figure.*
- *Recalculate the additional interest that needs to be refunded, applying 8% simple interest from the date the extra refund first became due until the date the complaint is settled -reflecting the further period during which Mr H has been without that money.*

The parties' responses to my provisional decision

Mr H accepted my provisional decision. BMWFS wrote to explain that because the remediation amount had been issued to Mr H by cheque they were *"unable to issue the refund again, plus the simple interest because Mr H would then be in receipt of the refund twice plus an added interest amount of a cheque which has previously included 8% interest."*

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.

In response to BMWFS's concerns about the refund I explained to them:

"I wanted to clarify the last bullet point in my provisional decision. That said:

- *Recalculate the additional interest that needs to be refunded, applying 8% simple interest from the date the extra refund first became due until the date the complaint is settled - reflecting the further period during which Mr H has been without that money.*

BMWFS should confirm whether the cheque has been presented or cleared. If it has not been cashed, they should cancel the original cheque internally and reissue the refund (preferably by electronic transfer, or a replacement cheque if necessary). Interest should then be calculated from the date the refund should originally have been paid, up to the date the consumer actually receives cleared funds.

If the cheque has been cashed, then the consumer has not been deprived of this money and BMWFS don't need to provide any further interest on that amount."

I gave BMWFS some time to respond to that proposal but as they didn't respond I've not been persuaded to change my provisional decision and that, with the amendment I'd proposed, now becomes my final decision on this complaint.

My final decision

For the reasons I've given above, I uphold this complaint in part and tell BMW FINANCIAL SERVICES (GB) LIMITED to:

- Pay Mr H £200 to compensate him for the distress and inconvenience caused.
- Provide Mr H with a clear written explanation confirming whether the revised early settlement figure was calculated in line with the Consumer Credit (Early Settlement) Regulations 2004. This explanation should also include a simple overview of the key elements used in the calculation and a brief description of what went wrong with the earlier figure.
- Recalculate the additional interest that needs to be refunded, applying 8% simple interest from the date the extra refund first became due until the date the complaint is settled -reflecting the further period during which Mr H has been without that money. BMWFS should confirm whether the cheque has been presented or cleared. If it has not been cashed (as Mr H suggests), they should cancel the original cheque internally and reissue the refund (preferably by electronic transfer, or a replacement cheque if necessary). Interest should then be calculated from the date the refund should originally have been paid, up to the date the consumer actually receives cleared funds. If the cheque has been cashed, then BMWFS don't need to provide any further interest on that amount

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 March 2026.

Phillip McMahon
Ombudsman