

Complaint

Mrs H complains that Toyota Financial Services (UK) PLC (“Toyota FS”) failed to act fairly and reasonably towards her when entering into a hire purchase agreement with her.

She complained that Toyota FS didn’t disclose the commission it paid to the motor dealer that introduced her business. She said she may have made a different decision if she’d been made aware of the commission and was deprived of this opportunity.

Mrs H has used a representative to make her complaint. For ease of reference, I’ll refer to Mrs H throughout this final decision.

Background

In March 2012, Mrs H sought finance for a brand-new car. The purchase price of the car was £16,963.01. Mrs H paid a deposit of £3,250.00 and required finance for the remaining £13,713.01. After Toyota FS accepted her application she entered into a hire purchase agreement with it for this amount.

The agreement had a term of 36 months and was effectively interest and fee free. £13,713.02 (so 1p more than the amount of the finance) was due to be paid in a first monthly instalment of £247.08, followed by 34 monthly instalments of £247.16 and then an optional final payment of £5,062.50 which Mrs H needed to make if she wished to exercise her option to keep the car at the end of the agreement.

One of our investigators considered the complaint. He thought that Toyota FS hadn’t treated Mrs H unfairly when entering into this hire purchase agreement with her. So he didn’t recommend that Mrs H’s complaint should be upheld.

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

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided not to uphold Mrs H’s complaint. I’ll explain why in a little more detail.

Due to the length of time that has passed, Toyota FS hasn’t been able to provide a copy of Mrs H’s hire-purchase agreement. Nonetheless, Toyota FS has been able to provide a copy of Mrs H’s statement of account. Having reviewed it, I can see that the interest rate on it is 0%. The total cost of the credit is 1p. It is unclear why Mrs H was charged 1p. That said, I’m satisfied that due to rounding the 0% quoted isn’t inaccurate.

As Mrs H was provided with what was effectively interest free credit, I’m satisfied that even if Toyota FS did pay the broker an undisclosed commission, or there was a tied arrangement

between it and the broker, I think it unlikely (and less likely than not) that Mrs H would have acted any differently had this been disclosed to her at the time.

In reaching my conclusions, I've considered Mrs H's comments regarding the Supreme Court's judgment in *Johnson*¹ and what she has said about the Financial Conduct Authority's ("FCA") proposed redress scheme.

Mrs H is 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. It is also fair to say that this is a position shared by the FCA as Mrs H has said. However, whether the lending relationship between a creditor and a debtor will in fact be unfair to the debtor isn't solely down to whether any commission is undisclosed or hidden.

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 any commission would have been a major consideration in Mrs H's mind, in circumstances where the credit she was being provided with was effectively interest free.

Mrs H says that any determination regarding whether the commission would have caused her to act differently must be based in fact. I agree with this statement. However, I'm of the mind the most important fact, in this particular case, is that the cost of this credit that Mrs H was being provided with was 1p.

In these circumstances, I can't see how Mrs H would have been able to obtain finance on better terms. And, in reality, any credit sourced elsewhere in order to enable Mrs H to purchase this car, which there is no dispute she had chosen and she therefore must have at the time at least wanted, is likely to have had, at least, some cost. I can't see any obvious reason why another lender would have provided Mrs H with credit that was effectively interest free to purchase this particular car.

So I'm not persuaded that any failure to disclose any commission paid meant that the lending relationship between Toyota FS and Mrs H was unfair to Mrs H.

For the reasons I've explained, I'm satisfied Mrs H didn't suffer a financial loss as a result of Toyota FS entering into what was effectively an interest-free hire purchase agreement with her. So Mrs H's arguments about the commission not being disclosed, the Supreme Court's judgment in *Johnson* and the FCA's proposed redress scheme haven't persuaded me to alter my conclusions.

Overall and having carefully considered everything, I've not been persuaded to uphold Mrs H's complaint. I appreciate that this will be disappointing for her. But I hope she'll understand the reasons for my decision and at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs H's complaint.

¹ *Hopcraft and another (Respondents) v Close Brothers Limited (Appellant); Johnson (Respondent) v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant); Wrench (Respondent) v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance (Appellant)* [2025] UKSC 33

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 9 April 2026.

Jeshen Narayanan
Ombudsman