

The complaint

Mr J complains Moneybarn No 1 Limited (“Moneybarn”) acted unfairly when it failed to tell him about a commission arrangement connected to his car finance agreement.

Mr J is being represented by a professional representative. For the sake of clarity when I refer to Mr J I mean both him and his representative.

Background

Mr J took out a conditional sales agreement with Moneybarn in November 2018 in order to finance a car he wanted to acquire. The car cost £8,742 and Mr J paid a £100 deposit so the finance agreement was for £8,642 plus interest, fees and charges.

The agreement had a term of 49 months and had interest charges of £6,736.72. This meant that the total amount to be repaid was £15,478.22. Moneybarn has confirmed the agreement was settled in full in October 2021.

Mr J’s complaint about undisclosed commission was considered by one of our investigators. She said although Moneybarn didn’t fully disclose all aspects of the commission arrangement to Mr J, that failure hadn’t impacted him negatively. So, she didn’t recommend that Mr J’s complaint about undisclosed commission be upheld.

Mr J disagreed with our investigator and asked for an ombudsman to review the case again and so the complaint has been passed to me.

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 done so I agree with the findings of our investigator and won’t be upholding Mr J’s complaint. I know this will come as a disappointment to him, so I want to explain why I’ve reached this outcome.

I want to clarify that Mr J complained both about undisclosed commission and also that the agreement was generally unaffordable. This decision will only consider the issues around the commission Moneybarn paid to the broker Mr J used, and not the overall affordability of the finance itself. That issue is being considered elsewhere.

It’s also important to note that this service isn’t a regulatory body or a Court of Law and doesn’t operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

In the joined cases of *Hopcraft, Johnson & Wrench*¹, the Supreme Court considered how the law applies to motor finance commission related claims.

Essentially, the Supreme Court found that the relationship between a motor finance lender and a consumer could sometimes be unfair to the consumer (under Section 140 of The Consumer Credit Act 1974 (“S140 CCA”)) in circumstances where neither the broker nor the lender disclosed that:

- there was a discretionary commission arrangement (“DCA”) – an arrangement where the commission paid was linked to the loan interest rate and the broker had the ability to set a higher interest rate to receive more commission.
- The broker would receive a high commission relative to the cost of credit or amount borrowed.
- the broker was required to select the lender in preference to other lenders it could offer. This is sometimes referred to as a commercial tie or a right of first refusal.

Moneybarn has confirmed it paid Mr J’s broker a total commission payment of £550 for introducing his business. The general agreement was that Moneybarn would pay Mr J’s broker £550 for each customer it introduced that went on to take out a conditional sale agreement.

Mr J says he wasn’t told about the existence of this commission and has referred to a number of instances where he believes Moneybarn breached its obligations to him. He states the undisclosed commission payment of £550 between Moneybarn and his broker, resulted in the lending relationship between Moneybarn and him being unfair under S140 CCA.

Moneybarn has said that the existence of commission was clearly set out in the paperwork Mr J signed on the day he took out the credit agreement. So, it disputes the allegation that the commission was undisclosed. However, having reviewed the paperwork signed by Mr J in November 2018 I note that while it did say commission would be paid, it didn’t explain how much that amount would be, or how it would be sourced.

Therefore, I’ve not been provided with sufficient evidence to persuade me that the existence of commission was fully disclosed at the time. However, I still think it’s unlikely – and certainly less likely than not – that a court would find that this commission payment rendered the lending relationship between Moneybarn and Mr J unfair to Mr J under S140 CCA. And I am not persuaded that Moneybarn failed to act fairly and reasonably in all the circumstances of this matter.

I say this because:

- as mentioned above, the commission of £550 did not involve a discretionary commission (“DCA”) model. So the credit broker did not have the ability to set Mr J’s interest rate.
- I also don’t think that a commission payment of £550 would’ve been a major consideration in Mr J’s mind, had it been disclosed to him at the time of entering into the conditional sale agreement. This is because the commission payment itself

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

represented approximately 6% of the cost of the car and approximately 3.5% of the total cost of the credit.

- I also think it's unlikely that a court would find that a commercial tie existed between Mr J's credit broker and Moneybarn. I say this because, I've seen a number of contracts and agreements that Moneybarn had with various brokers over several years. I've seen nothing in any of these agreements indicating that Moneybarn had contractual ties with any of the brokers that it worked with. This is consistent with Moneybarn's position within the market as a lender who offers credit to consumers who may find it difficult to obtain finance from other sources. In this context, I've not seen anything to support an argument that a commercial tie existed between Moneybarn and the broker Mr J used.

I've noted what Mr J has said he hadn't been a resident in the UK for long before taking out this agreement and was trying to improve his credit rating and build a credit profile. Therefore, the reality at the time was he didn't have many options if he wanted to obtain credit. So, it's unclear to me how knowing more about the commission would have impacted his decision to take out the finance with Moneybarn, given he wanted a car and, by his own admission, had limited means of acquiring one.

Given that Moneybarn paid a fixed amount of commission and it wasn't a DCA model, so there was no connection between the commission payment and the interest rate Mr J received, I'm satisfied that if Mr J had been aware of the commission arrangement between Moneybarn and his broker it wouldn't have impacted his decision to take out the credit agreement. And for that reason, I'm not upholding his complaint.

My final decision

For the reasons set out above I don't uphold Mr J's complaint against Moneybarn No.1 Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 13 April 2026.

Karen Hanlon
Ombudsman