

The complaint

Mr M says Volkswagen Financial Services (UK) Limited, trading as Volkswagen Financial Services (who I'll call 'VWFS') made mistakes when calculating amounts due on his finance agreement.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M entered into a hire purchase agreement with VWFS to finance a used car in August 2023. The car had a cash price of £13,222 and Mr M paid an advance payment of £6,503, comprising a £5,000 cash deposit and a £1,503 part exchange. This left an amount of credit of £6,719 which was to be repaid with interest at a fixed rate of 10.9% APR over the agreed term.

In June 2025 Mr M complained that the interest on his agreement had been calculated incorrectly. He said VWFS had applied interest to an inflated starting balance and had failed to deduct his deposit and part exchange before applying interest. He also raised concerns that additional items, such as a service plan and other charges, had been added to the agreement and had attracted interest resulting in him being overcharged.

VWFS didn't uphold the complaint. They said the agreement had been set up correctly in line with the signed documentation and that the interest had been calculated on the correct amount of credit. VWFS explained that the figures Mr M relied on reflected how interest is applied within an amortised agreement, where interest is higher at the start and reduces over time.

Our investigator considered the complaint and didn't think the WFS had done anything wrong. Mr M didn't accept the investigator's view, so the complaint has been 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.

I agree with the investigator's view of this complaint, for broadly the same reasons.

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.

Section 56 of the Consumer Credit Act (1974) explains that finance providers are liable for what they say and for what is said by a credit broker or a supplier before the consumer takes out the credit agreement. Misrepresentation is, in very broad terms, a statement of law or of fact, made by one party to a contract to the other, which is untrue, and which materially influenced the other party to enter into the contract. So, if Mr M was provided with a false statement of law or fact by the dealership when they set up the finance agreement, I may think the agreement had been misrepresented to him and, in those circumstances, I may ask VWFS to take some action.

The key issue is whether VWFS calculated interest on the correct balance. From the documentation provided, I'm satisfied the amount of credit under the agreement was £6,719. This reflects the vehicle cash price of £13,222 less the advanced payment of £6,503. This figure appears consistently across the finance agreement, the invoice and VWFS's records.

Mr M has referred to a higher figure shown on statements. He says this demonstrates that interest was applied incorrectly. However, I'm satisfied that figure reflects the way an amortised agreement operates. Under this type of agreement, each monthly payment includes both capital and interest, and interest is higher at the start of the term when the outstanding balance is greater. As a result statement balances at certain points in the agreement can appear higher than the original amount of credit but this doesn't mean interest has been applied to the wrong figure.

I've also considered the point about additional items, such as the service plan and other charges. These are clearly itemised on the invoice and form part of the overall cash price of the car. As they were included in the total price being financed, it follows that interest would be applied to them as part of the agreement. I haven't seen anything to suggest these items were added unfairly or without Mr M's agreement.

I've also thought about concerns about the timing of events before the agreement was signed. While there may have been earlier discussions or indicative figures, what matters is the agreement Mr M signed on the 7 August 2023. That agreement clearly sets out the amount of credit, the interest rate, and the total amount payable. I haven't seen evidence that Mr M was misled about those terms or that the agreement he entered into was materially different from what was presented to him.

Taking everything into account I'm not persuaded that VWFS calculated the interest incorrectly or acted unfairly in setting up or administering the agreement.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 May 2026.

Phillip McMahon
Ombudsman