

## **The complaint**

Mr G complains that First Response Finance Limited ('FRFL') treated him unfairly when it entered into a motor finance agreement with him.

He's said that that FRFL failed to disclose the commission it paid to the motor dealer that introduced his business and that this created an unfair relationship because the arrangement may have impacted the interest he had to pay.

## **What happened**

In March 2024 Mr G applied for finance to acquire a used car. The cash price of the car was £8,644 and Mr G entered into a hire purchase agreement with FRFL to finance the full amount. After interest and charges the total amount due was £14,811.41, repayable in 61 monthly instalments of £242.81.

In October 2025 Mr G contacted FRFL to complain about an undisclosed commission payment. He said, in summary, that FRFL failed to disclose the existence of commission, and he said this may have influenced the interest rate he was offered. Mr G also complained that the price of the car had been inflated to include the cost of a warranty.

FRFL upheld Mr G's complaint in part. Briefly, it said the commission arrangement, including the amount it paid to the broker and how this was calculated, was disclosed to Mr G prior to him entering into the agreement. It also confirmed that it didn't operate discretionary commission models. In relation to the car's price, FRFL said it used a car valuation tool to ensure that the car Mr G was looking to acquire met FRFL's criteria. FRFL said its records showed it had provided two quotes for the same car, and so it accepted the possibility that the car's price had been adjusted to include a warranty. FRFL added that it doesn't fund warranties and said it did so unknowingly in Mr G's case. To put things right FRFL offered to pay Mr G the difference between the interest payable on the lower price of the car and the agreement Mr G entered into.

Mr G referred his complaint about the commission arrangement to our service, where one of our investigators looked into what had happened. She concluded that FRFL hadn't treated Mr G unfairly or acted unreasonably when it entered into the hire purchase agreement with him. Mr G didn't agree, and so the complaint has come to me for a final decision.

## **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 realise my decision will likely come as disappointing news, but having carefully considered everything, I have decided not to uphold Mr G's complaint. I'll explain why.

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

Broadly speaking, the Supreme Court concluded that the relationship between a motor finance lender and a consumer could sometimes be unfair to the consumer (under s140 CCA) in circumstances where neither the car dealer 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 discretion to set a higher interest rate to receive more commission.
- the car dealer would receive a high commission relative to the cost of credit or amount borrowed.
- the car dealer was required to select the lender in preference to other lenders the car dealer could offer. This is sometimes referred to as a commercial tie or a right of first refusal.

In Mr G’s case, FRFL has provided evidence to show that it paid Mr G’s motor dealer a commission of £608.08 for introducing his business – this being 7% of the £8,644 it advanced to Mr G as part of this transaction.

Mr G has said he wasn’t told about this commission. His complaint is effectively that the commission payment of £605.08 that FRFL paid to his motor dealer and which he said he didn’t know about resulted in the lending relationship between FRFL and him being unfair to him under s140 CCA. He has also given other reasons why he feels the relationship was unfair, including the cost of the warranty being incorporated into the car’s cash price.

I’ve looked at what both parties have said about the commission disclosure along with the pre-contractual information FRFL provided to Mr G. Even if the commission disclosure wasn’t adequate as Mr G alleges, I consider it likely – and certainly more likely than not – that a court would not find that the lending relationship between FRFL and Mr G was unfair to Mr G under s140 CCA.

Overall, I’m not persuaded that FRFL failed to act fairly and reasonably in all the circumstances of this complaint. This is because:

- the commission of £605.08 did not involve a DCA. So, the motor dealer didn’t have discretion to set Mr G’s interest rate.
- I think it more likely than not that a court would not consider the £605.08 commission payment to be high when compared to the amount Mr G borrowed, or the cost of the agreement Mr G entered into, given that it represented only 7% of the amount he borrowed and only 9.81% of the total cost of the credit.
- I think it’s more likely than not that a court would not consider that a commercial tie existed between Mr G’s motor dealer and FRFL. In reaching this view, I have reviewed a range of contracts and agreements that FRFL had with various brokers over several years. I’ve seen nothing in any of these agreements indicating that FRFL had contractual ties with any of the motor dealers that it worked with. I consider this to be consistent with FRFL’s position within the market as a lender serving customers that typically find it difficult to obtain credit from more mainstream lenders and have less choice as a result. In this context, I’ve not seen anything to support an argument that a commercial tie existed between FRFL and the motor dealer.

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<sup>1</sup> *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

Mr G focussed his response to our investigator on why he considers the relationship between him and FRFL unfair within the meaning of s140 CCA. I've already explained above why I don't think it's likely that a court would find the relationship between FRFL and Mr G was unfair to Mr G. And I haven't seen anything else here that leads me to conclude that the relationship between Mr G and FRFL was unfair under s140 CCA.

I've noted what Mr G has said about undergoing therapy for problematic gambling at the time he entered into the agreement. He said he wasn't in the right frame of mind, and neither the dealership nor FRFL asked him about any vulnerabilities. I appreciate Mr G's candour in telling us about his personal circumstances. However, there's no automatic requirement for lenders or brokers to ask about vulnerability in all cases. From what I've seen Mr G didn't apparently lack capacity. And I haven't seen anything to suggest Mr G told FRFL that he may require additional support. For that reason, I don't think FRFL acted unfairly here.

For completeness, I've not considered FRFL's offer in relation to the warranty as it appears that Mr G accepted its resolution of this element of the complaint. From reading the file it appears that Mr G is unhappy with the dealership's actions, particularly in relation to the warranty and adding the cost of it to the car's price without FRFL's knowledge. I don't think I can fairly comment on this, given that FRFL had no involvement in this and it led to FRFL lending more than it otherwise would have. If Mr G remains dissatisfied, then he ought to contact the dealership with his concerns if he hasn't already done so.

Overall and having carefully considered everything, I've not been persuaded that the commission FRFL paid to the motor dealer that introduced Mr G's business means that it failed to act fairly and reasonably towards him. So, I've not been persuaded to uphold Mr G's complaint.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 May 2026.

Anja Gill  
**Ombudsman**