

Complaint

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

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

Mr M has used a representative to make his complaint. For ease of reference, I’ll refer to Mr M throughout this final decision.

Background

In September 2022, Mr M sought finance for a brand new car. The purchase price of the car was £23,482.00. Mr M paid a cash deposit of £250, received a part exchange of £4,434.92 for his existing car and required finance for the remaining £19,047.08. After Toyota FS accepted his application he entered into a hire purchase agreement with it for this amount.

The agreement had a term of 42 months and was interest and fee free. This meant that £19,047.84 was due to be paid in a first monthly instalment of £225.98, followed by 40 monthly instalments of £225.84 and then an optional final payment of £9,787.50 which Mr M needed to make if he wished to exercise his 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 Mr M unfairly when entering into this hire purchase agreement with him. So she didn’t recommend that Mr M’s complaint should be upheld.

Mr M 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 Mr M’s complaint. I’ll explain why in a little more detail.

I’ve been provided with a copy of Mr M’s hire-purchase agreement. Having reviewed it, I can see that the interest rate on it is 0%, as is the APR. The total cost of the credit is also £0. As Mr M was provided with 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 Mr M would have acted any differently had this been disclosed to him at the time.

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

Mr M 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 Mr M 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 that it's very unlikely that any commission would have been a major consideration in Mr M's mind, in circumstances where the credit he was being provided with was interest free.

Mr M says that any determination regarding whether the commission would have caused him to act differently must be based in fact. I agree with this statement. However, in my mind, the most important fact, in this particular case, is that there was zero cost to the credit Mr M was provided with.

In these circumstances, I can't see how Mr M would have been able to obtain finance on better terms. And, in reality, any credit sourced elsewhere in order to enable Mr M to purchase this car, which there is no dispute he had chosen and he 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 Mr M with interest free credit 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 Mr M was unfair to Mr M.

For the reasons I've explained, I'm satisfied Mr M didn't suffer a financial loss as a result of Toyota FS entering into this interest-free hire purchase agreement with him. So Mr M'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 Mr M's complaint. I appreciate that this will be disappointing for him. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr M'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 Mr M to accept or reject my decision before 6 May 2026.

Jeshen Narayanan
Ombudsman