

The complaint

Mr H complains about a settlement figure he was provided with by CA AUTO FINANCE UK LTD (who I'll call 'CA').

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 H entered into a hire purchase agreement with CA in October 2025 to fund a car. Shortly after the agreement began he made his first monthly payment and then requested an early settlement figure. He was provided with a settlement figure of £17,939.30 which he paid bringing the agreement to an end.

Mr H complained that the settlement figure was incorrect. He said it was higher than the original amount borrowed and did not properly take account of the payment he had already made. He also said he was told there would be no early repayment charges and that he would receive a refund of his monthly payment if he settled early.

CA say the settlement figure was calculated in line with the Consumer Credit Early Settlement Regulations 2004 (the Early Settlement Regulations). They say these regulations allow them to retain up to 58 days interest when a loan is settled early, and that this has been applied correctly in this case.

Our investigator did not uphold the complaint they were satisfied the settlement had been calculated correctly under the regulations and did not find sufficient evidence that Mr H had been misled or that the outcome would have been different had clear information been provided. Mr H disagreed and he asked for an ombudsman's 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 agree with the investigator's view of this complaint and 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.

When a regulated credit agreement is settled early, the Early Settlement Regulations set out how the settlement figure must be calculated. A rebate of future interest is applied, and the lender can retain up to 58 days interest for agreements of this type. This is not a

discretionary fee or penalty, but part of the statutory method for calculating early settlement.

Having reviewed the information provided, I am satisfied that CA calculated Mr H's settlement figure in line with those regulations. While I understand why Mr H expected the balance to fall below the original amount borrowed after making a payment, the effect of the statutory calculation - including the permitted retention of interest - means this will not always be the case, particularly early in the term of an agreement.

I have also considered Mr H's concerns about what he was told before settling the agreement. He says he was informed there would be no early repayment charges and that he would receive a refund of his monthly payment. However, I have not seen sufficient evidence to conclude that CA gave a clear and binding assurance that the settlement figure would exclude the statutory interest adjustment or that a refund would be payable. I think it is likely there was some misunderstanding about how early settlement works rather than a misrepresentation by CA.

Finally, I have thought about whether the agreement and supporting information was sufficiently clear. While the detail of the 58-day adjustment is not always set out explicitly in consumer facing documents, it arises from the statutory framework which applies to all agreements of this type. In the circumstances, I am not persuaded that any lack of clarity resulted in Mr H suffering an unfair outcome

Overall, I think CA has acted in line with the relevant regulations and has not treated Mr H unfairly.

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 H to accept or reject my decision before 14 May 2026.

Phillip McMahon
Ombudsman