

## **complaint**

Mr U complains that The Funding Corporation (2) Limited provided misleading information about how interest is calculated under his finance agreement.

## **background**

Mr U took out a loan with The Funding Corporation for a used car. He says the pre-contract credit information and the salesman misled him about how interest is calculated. He considers the information he was given is likely to deceive the average customer – so the loan is unenforceable under legislation. And he wants the Funding Corporation to write off the debt or re-calculate what he owes and refund overpaid interest.

The Funding Corporation says interest was calculated properly, in accordance with the loan terms and conditions Mr U signed. And it takes the reducing loan balance into account – because, even though the payments are divided equally over the term of the loan, the element of interest in each monthly instalment isn't the same. And the pre-contract information isn't misleading – it just confirms that the Funding Corporation won't charge extra interest while a payment is overdue.

Our adjudicator doesn't recommend the complaint should be upheld. She's satisfied the information Mr U received isn't misleading and interest has been calculated properly.

Mr U disagrees. He says the pre-contract information is factually incorrect. And he would only have to repay about £14,000 if interest was calculated the way the pre-contract information suggests – instead of nearly £20,000 required under the loan.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I have come to the same conclusions as our adjudicator for much the same reasons.

Mr U says the pre-contract credit information mis-led him because it says *"we only charge interest on the amount of credit outstanding and do not charge interest on any overdue monies"*.

He understood this to mean that the amount of interest would reduce over the lifetime of the loan – as the amount borrowed was repaid. And he says the salesman confirmed that. So Mr U considers it's wrong for the Funding Corporation to calculate interest in the way it has - by multiplying the amount borrowed by the term of the loan by the rate of interest.

I am satisfied the Funding Corporation correctly set out the required information in the pre contract credit information and in the loan agreement. I consider they clearly display the cost of credit – the rate and amount of interest, the total charge for credit and the total amount repayable, amongst other things. And I am not persuaded the information is mis-leading. Mr U signed the agreement and I think he should reasonably have been aware of what he would be charged.

I appreciate Mr U considers the Funding Corporation should have worked out interest differently. But I'm satisfied interest has been calculated according to the terms of his loan - and in line with standard industry practice. So I am not persuaded it's wrong.

It's not within my remit to find the loan is unenforceable - only a court can do that. It follows I can't reasonably require the Funding Corporation to write off or reduce the loan balance or otherwise compensate Mr U in the circumstances.

I realise this decision is likely to disappoint Mr U, as it's not the outcome he hoped for. But, he doesn't have to accept it and he remains free to pursue the matter in other ways.

Mr U doesn't say he is in financial difficulties. If he is, I encourage him to contact the Funding Corporation to discuss the way forward. He may wish to contact a free source of money advice such as StepChange<sup>1</sup> for help with that. And I remind the Funding Corporation of its obligation to treat customers who are experiencing financial hardship sympathetically and positively.

### **my final decision**

My decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 9 November 2015.

Claire Jackson  
**ombudsman**

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<sup>1</sup> 0800 138 1111