

The complaint

Mr S has complained about the way Vauxhall Finance plc dealt with his request to settle a conditional sale agreement early.

Mr S has been represented but, to keep things simple, I'll refer to Mr S throughout.

What happened

Mr S acquired a used car under a conditional sale agreement with Vauxhall Finance in September 2021. The cash price of the car was £6,995 and Mr S paid a £2,300 deposit. He therefore borrowed £4,695. The total charge for credit (interest) was £1,344.60. I've not seen any other fees or charges. Mr S was required to pay back the agreement with monthly payments of £100.66 for 60 months starting one month after he acquired the car.

From what I can see Mr S says he wanted to settle the agreement early and he did this in January 2023. By settling the agreement early, he received a rebate of interest. Mr S complains that this rebate was approximately £250 short. And so he complained.

Vauxhall Finance responded to say interest is charged to an account on an actuarial basis in accordance with the Consumer Credit Act 1974. It said interest is calculated in accordance with the mathematical formula set out in the Consumer Credit (Total Charge for Credit) Regulations 2010. And it said it calculated the rebate in line with the Consumer Credit (Early Settlement) Regulations 2004. It highlighted that under the regulations it allowed it to quote the effective settlement date as being 28 days from the consumer's request to early settle. And that a further 30 days interest is then also charged from that date.

Vauxhall Finance said it couldn't provide a clear breakdown, but it gave a link to the regulations that set out the relevant formula.

Mr S wasn't happy with the answer and so referred his complaint to our service. One of our investigators said from the information she'd seen, Vauxhall Finance had used the correct formula, and that she'd not seen enough to say it had made a mistake. So she didn't make any recommendations.

Mr S responded to say it's unfair that Vauxhall finance refused to provide evidence of the figures used, or its calculation. So as things weren't resolved, 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.

Mr S has complained about how Vauxhall Finance administered a conditional sale agreement. This is a regulated consumer credit agreement, and our service is able to consider complaints relating to these sorts of agreements.

I'm not going to go over all the legislation again in detail because Vauxhall Finance and our investigator have already explained how Vauxhall Finance is meant to deal with early settlements in line with the relevant law. And Mr S isn't disputing that the rebate should have been calculated in line with the relevant formula.

What Mr S is unhappy about is that Vauxhall Finance hasn't shown its workings out. And I can understand why he's unhappy about that. It's not unreasonable to want to know the financial firm is calculating what is owed correctly.

However, I'm required to consider complaints quickly and with minimum formality. The relevant formula isn't straight-forward. And we're not generally in a position to audit a lender's calculations. The respondent firm is usually better placed to work out the figures. So what I need to consider is whether there's been an obvious error to enable me to conclude that Vauxhall Finance's figures are incorrect.

Mr S hasn't disputed the amount Vauxhall Finance said was outstanding prior to the rebate. This was £4,529.70. If that's right, it means Mr S had made 15 payments by that point. This totals £1,509.90 (15 X £100.66). And I think this would be for payments from October 2021 (one month after he acquired the car) to December 2022 (the month before settling the agreement). To check, I calculated the total amount payable (£8,339.60) less the deposit (£2,300) less the 15 payments (£1,509.90) and came up with the same figure Vauxhall Finance had – £4,529.70.

As a starting point, it looks like the base figures were correct. While I've explained we're not generally in a position to audit Vauxhall Finance's calculations, I tried inputting the details on three online calculators that say they use the formula in the early settlement regulations. All of these calculators came up with a balance owing of around £3,800 – which is around the sum Mr S was asked to pay (£3,811.74). So I've not seen there's an obvious error in Vauxhall Finance's calculations. I therefore don't find I have the grounds to direct Vauxhall Finance to recalculate the settlement and ultimately make payment to Mr S.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 October 2023.

Simon Wingfield
Ombudsman