

The complaint

Mr A complains he hasn't had the benefit of a '3 on us' offer on his hire purchase agreement ("agreement") with Volkswagen Financial Services (UK) Limited ("VWFS").

What happened

In September 2020 Mr A entered into an agreement with VWFS for a new car costing £53,885.00. Under the terms of the agreement, everything else being equal, Mr A undertook to make an advance payment of £2,224.92 followed by 3 monthly payments of £0, 45 monthly payments of £828.54 and 1 monthly payment of £21,147.50 making a total sum repayable of £60,656.72 at an APR of 4.5%.

The invoice for the car suggests that the dealership 'paid' £1,200.00 to allow the settlement of the finance agreement 'linked' to Mr A's part exchanged car and £2,205.00 by way of a deposit contribution.

The invoice also states, under the heading 'offer details':

"PCP = 48 payments followed by 1 x GMFV based on 10000 miles per annum. Based on the NHS deal with first 3 payments paid by [A]"

On 31 August 2021 VWFS sent Mr A a statement of account. This showed, amongst other things, the following:

Date	Transaction Type	Capital/Interest Split	Amount added to Balance	Amounts Paid	Balance
29/01/2021	Payment Received			£828.54	£57,603.26*
31/01/2021	Capital due	£62.15			£57,603.26
31/01/2021	Interest due	£766.39			£57,603.26
26/02/2021	Payment Received			£828.54	£56,774.72
28/02/2021	Capital due	£641.36			£56,774.72
28/02/2021	Interest due	£187.18			£56,774.72

* £51,660.18 capital sum borrowed plus £6,761.62 interest over the term of the agreement plus £10.00 option to purchase fee less £828.54 payment made

In October 2022, following receipt of further statement of account (dated 31 July 2022), Mr A complained to VWFS that he wasn't satisfied that he had got the benefit of the '3 on us' offer.

In November 2022 VWFS issued Mr A with a final response letter ("FRL"). Under cover of this FRL VWFS said it was satisfied that Mr A had got the benefit or would get the benefit if the agreement ran to term of the '3 on us' offer.

In March 2023 VWFS refunded Mr A £576.91 made up of the first three months of interest that had accrued under his agreement.

In March 2023, and unhappy with VWFS' FRL, Mr A referred his complaint to our service.

Mr A's complaint was considered by one of our investigators who came to the view that it shouldn't be upheld.

Mr A didn't agree with the investigators view so his complaint was passed to me for review and decision.

I issued a provisional decision on this case in July 2023. In summary I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

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. I would also add that where the information I've got is incomplete, unclear, or contradictory I've to base my decision on the balance of probabilities.

In summary Mr A's agreement terms can be summarised as follows:

- *payments required*
 - 1 x £2,224.92*
 - 3 x £0.00*
 - 45 x £828.54*
 - 1 x £21,147.50*
- *total payments required* *£60,656.72*
- *APR* *4.5%*

Based on what VWFS has explained to our service it's my understanding that had Mr A not been offered '3 on us' he would have been offered the following terms (or similar):

- *payments required*
 - 1 x £2,224.92*
 - 48 x £828.54*
 - 1 x £21,147.50*
- *total payments required* *£63,142.34*
- *APR* *6.3%*

And these alternative terms would have resulted (over the whole term of the agreement) in Mr A being charged, and having to pay, £2,485.62 more.

If my understanding as outlined above is correct, I'm satisfied that Mr A got the benefit of the '3 on us' offer or will do so if the agreement runs to term. But I'm not persuaded that how the '3 on us' offer worked in practice was adequately or clearly explained to Mr A. So, I've gone on to consider what Mr A would have done differently had it been.

Now I know I can't say for certain what Mr A might have done differently. But on the balance of probabilities, I'm satisfied that more likely than not Mr A would have gone ahead on the agreement terms that he did. In coming to this view, I've had regard to the interest Mr A appears to have shown in the car he purchased (even before finance terms were discussed in any detail), the sums paid by the supplying dealership of £3,405.00 to 'secure' the sale and, although occurring after the event, the refund made by VWFS of £576.91.

So, in summary, I'm currently of the view that VWFS need do nothing further in respect of this complaint. But further submissions from Mr A (on VWFS) might lead me to change my mind.

VWFS responded to say it had nothing further to add.

Mr A responded to say that he was still of the view that he hadn't had the benefit of the '3 on us' offer as promoted/explained to him by the dealership and to say that had how the offer worked in practice been clearly explained to him by the dealership he would have elected to purchase a different car from another manufacturer and dealership on different agreement terms. In support of the former Mr A has provided our service with two calculations. And in respect of the latter, he has provided our service with an agreement quote he had obtained (for a different car from another manufacturer and dealership) before committing to the agreement (with VWFS) that he did.

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.

Having considered what Mr A has submitted in response to my provisional decision I remain of the view that he got the benefit of the '3 on us' offer as managed and administered by VWFS (or will do so if the agreement runs to term), but how this '3 on us' offer worked in practice wasn't adequately or clearly explained to him.

Mr A says that had he understood how the '3 on us' offer worked in practice he would have purchased a different car (from another manufacturer and dealership) *"which was a similar price. And faster."*

I appreciate the different car Mr A says he would have purchased was listed with a similar 'on the road cost' as to the one he ultimately purchased and that it may have been faster. But the 'on the road' price and speed isn't, in my view, the only factors buyers take into account when deciding what car to buy.

In this case although both cars have a similar 'on the road cost' the agreement quote supplied to our service by Mr A (in respect of the different car) has an APR listed of 4.9%, whereas the agreement he entered into with VWFS was at an APR of 4.5% - making the alternative agreement (everything else being equal) in the region of £20 a month more expensive. And I think this would have had bearing on Mr A's choice of car.

Furthermore, it's my understanding that the difference in speed between the two cars isn't substantial and other factors such as each car's specification and available dealership and/or manufacturer's deposit contributions would have had a bearing on Mr A's choice.

As I said in my provisional decision, I accept I can't say for certain that Mr A wouldn't have elected to purchase another car from another manufacturer and dealership on different agreement terms had the '3 on us' offer been adequately and clearly explained to him by the dealership. But, taking everything into account (including Mr A's most recent submissions), I'm not persuaded, on the balance of probabilities, that he would have done so.

Given what I say above I can confirm that I'm satisfied that having refunded £576.91 VWFS has adequately compensated Mr A in respect of this complaint, and it need do nothing further.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 1 September 2023.

Peter Cook
Ombudsman