

The complaint

Mr P complains about a motor finance agreement he took out with Black Horse Limited trading as Land Rover Financial Services (Black Horse). Mr P believes that he has incurred higher credit costs as a result of commission being paid to the credit broker by Black Horse. Mr P is represented in his complaint by a third party. But for ease, I will refer to all submissions from Mr P and his representative as if being made by Mr P.

What happened

Around March 2021 Mr P was looking to acquire a new car. Finance was arranged by the broker with Black Horse and Mr P borrowed £58,320.13 to fund most of the cost of the car. The remaining £12,580 was made up of a deposit from Mr P and £1,500 Finance Deposit Allowance. The interest rate on the finance agreement was 4.9% APR and the finance was to be repaid over 49 months.

Mr P believes he has lost out and paid a higher rate of interest on the finance agreement because of Black Horse making a commission payment to the credit broker who arranged the finance agreement. Black Horse has said that it did not pay a commission to the credit broker for arranging Mr P's finance agreement and it does not therefore consider that Mr P has lost out because of this.

Mr P remained unhappy and referred his complaint to our service, where it was considered by one of our investigators. They set out that from the evidence they had seen they were not persuaded Black Horse did make a commission payment to the credit broker for arranging the finance agreement. The investigator explained that the payment the credit broker received from Black Horse was a Manufacturer Dealer Credit, which the manufacturer paid the broker for the consumer taking out the credit agreement. And that although Black Horse did make the payment to the credit broker, this was on behalf of the manufacturer when the credit agreement commenced. Black Horse would be reimbursed by the manufacturer and effectively only acted as a facilitator of the payment.

Mr P did not accept the investigator's conclusions and the complaint has been passed to me to consider.

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 done so I have come to the same overall conclusions as the investigator, for what are broadly the same reasons. Mr P believes that he has lost out as a result of Black Horse paying a commission to the credit broker who arranged the finance for the vehicle. Mr P believes he has paid more in interest and charges towards the credit agreement and this has been caused by the commission payment he believes Black Horse paid the credit broker.

Black Horse has indicated that it did not however pay a commission to the credit broker for arranging the finance agreement for the car. It has provided a screen shot of its system that

refers to a zero amount next to the commission section. Black Horse does accept that it paid the credit broker a Manufacturer Dealer Credit, but argues it merely facilitated the payment on behalf of the manufacturer. Black Horse has explained the Manufacturer Dealer Credit is a payment made by the vehicle manufacturer to the credit broker where the consumer takes out a credit agreement for the car with Black Horse. This payment is made by Black Horse when the credit agreement is taken out and Black Horse would then invoice the vehicle manufacturer and be reimbursed by the vehicle manufacturer the following month.

Having considered all that the parties have said and provided in this complaint, I'm satisfied the payment made in this instance is not a commission payment made by Black Horse to the broker for arranging the credit agreement. This appears to be an arrangement that the manufacturer has with Black Horse so the manufacturer can be sure the payment is only made when the finance agreement is actually taken out. The payment is also referred to as a Manufacturer Dealer Credit, which in my view supports the fact that this is a payment between the manufacturer and dealer, which is also the credit broker.

Black Horse's screen shot of its system shows a zero figure next to the section marked commission and I have not been provided with anything else that demonstrates Black Horse made a commission payment to the broker, as Mr P alleges. And I do not therefore consider Mr P has lost out or paid a higher interest rate for the finance agreement, as a result of a commission payment from Black Horse to the credit broker, as I don't consider the payment here is actually a commission payment from Black Horse to the dealer.

My final decision

My final decision is that I do not uphold Mr P's complaint against Black Horse Limited trading as Land Rover Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 December 2023.

Mark Hollands
Ombudsman