

The complaint

Miss P complains about the processing of an overpayment that she made towards a hire purchase agreement with Toyota Financial Services (UK) PLC (TFS).

Miss P has been represented on this complaint. But to keep things simple I'll only refer to Miss P in my decision

What happened

In October 2022, Miss P acquired a used car through a hire purchase agreement with TFS.

Miss P said a month after entering into the agreement she made an overpayment of £1,500. She said she was told by TFS she could either reduce the final payment or the monthly amount but that the interest rate wouldn't change. Miss P said this was different to what she'd been told and to what the terms of the agreement stated.

Miss P raised a complaint with TFS and was refunded her deposit of £1,500. However, she was unhappy that there was no option given to reduce the interest rate, and so feels she's lost out as a result. Miss P said TFS intimidated her by sending her emails. She said she'd like compensation for the inconvenience caused and a reimbursement of the loss of interest.

In February 2023 TFS issued their final response. TFS said a payment of £1,500 was made towards the agreement on 15 November 2022, via a related App. TFS said they contacted Miss P to confirm how she wanted the payment to be used and that after some contact each way, when realising the payment couldn't be used directly to impact the interest as she'd hoped, Miss A advised that she should receive some interest on the overpayment amount and compensation for the situation.

TFS didn't uphold the complaint but offered Miss P £100 as a goodwill gesture for the delay in responding to her complaint and for any inconvenience caused. TFS explained that there were three options available to Miss P in relation to her overpayment:

- To reduce the term of the agreement
- To reduce the monthly instalments; or
- To refund the £1500.00 and the agreement carries on as originally agreed.

Unhappy with TFS' decision, Miss P brought her complaint to our service for investigation. In their business file TFS confirmed the refund for the over payment of £1,500 was processed on 20 April 2023.

Having reviewed all the information on file one of our investigator's recommended that Miss P's complaint should not be upheld. They concluded that TFS had acted fairly in applying the terms of the agreement.

Miss P didn't accept our investigator's view. She felt TFS hadn't acted fairly, however as the investigator's view remained unchanged, Miss P asked that her complaint be referred to an ombudsman for a final 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.

In considering what is fair and reasonable, I've thought about all the evidence and information provided afresh and the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

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.

Miss P complains about a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Miss P's complaint about TFS.

My starting point is that in November 2022, Miss P made an overpayment of £1,500 onto her agreement through an online portal. This is confirmed by both parties and is reflected in the statement of accounts provided by TFS.

In an email to TFS Miss P said she wanted to reduce the interest liability. However, TFS provided two options which was to reduce the monthly repayments or to reduce the term.

Miss P referred to the terms of her agreement titled '*early settlement/ partial repayment*', where it gave a third option (for overpayments) of reducing the final payment at their reasonable discretion. I'm persuaded this appears to be the main concern from Miss P as she felt the third option wasn't presented to her after she'd made the payment.

As a result, Miss P believes she's lost out on interest and on the option to have her final payment, often referred to as a balloon payment, reduced by £1,500.

The terms of the agreement also state however that the option to reduce the final payment was at their reasonable discretion. In addition, for early repayments it also says that notice should be given. And I'm persuaded that Miss P didn't do so, TFS confirmed that in their final response and neither party disputes this.

In their final response TFS said they'd informed Miss P that overpayments couldn't be used towards the final balance until the agreement is within the last four months. They also explained that had they been given the notice of Miss P's intention to overpay, they would have been able to discuss her options with her prior to her making the payment.

I haven't seen in the terms where it says the agreement needs to be in the last four months before the balance could be reduced, however I'm aware that TFS said notice should be given, which Miss P didn't do.

Their terms also state that the option to reduce the final payment is with their reasonable discretion, which I'm satisfied takes away the obligation for them to do so. I'm persuaded this is under certain circumstances, which I'm persuaded includes the agreement being within a certain timeframe.

I don't think it's unreasonable for TFS to have those terms and so I don't think they've acted unfairly in applying them. In the circumstances I don't think it'd be reasonable to ask TFS to pay any added interest or compensation for this.

I can't see any evidence that TFS unreasonably held on to Miss P's funds or delayed contacting her about it. The email correspondence provided satisfies me that TFS were acting reasonably in their contact with Miss P when confirming her intentions for the overpayment. I also haven't seen any correspondence which suggests TFS were acting in an intimidating or otherwise inappropriate manner.

I acknowledge Miss P's concerns about a data issue relating to TFS responding to her emails. My decision has focussed on whether TFS has treated Miss P fairly in relation to her overpayment. However, Miss P may decide to take this matter further with the Information Commissioner's Office as advised by TFS in their response to her about that issue.

As I've concluded that TFS acted fairly in relation to the £1,500 overpayment made by Miss P, I don't require TFS to take any action in respect of this complaint.

My final decision

Having thought about everything above along with what is fair and reasonable in the circumstances I don't uphold Miss P's complaint about Toyota Financial Services (UK) PLC

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 25 January 2024.

Benjamin John
Ombudsman