

Complaint

Mrs R complains that RCI Financial Services Limited (trading as “Dacia Finance”) unfairly entered into a hire-purchase agreement with her. She’s said she was misled as it wasn’t explained that she was entering into a credit agreement.

Background

In March 2018, Dacia Finance provided Mrs R with finance for a brand-new car. The cash price of the vehicle was £16,109.00. Mrs R paid a deposit of £2,200.00, which was made up of a part-exchange value she received for her own vehicle, and entered into a 49-month ‘personal contract purchase’ hire-purchase agreement with Dacia Finance for the remaining £13,909.04.

The finance had an APR of 6.9%. So the total amount to be repaid of £16,772.32, which included interest, fees and charges of £2,663.32, was due to be repaid in 48 monthly instalments of £236.25 and then an optional final monthly payment of £5,231.84.

In October 2019, Mrs R wrote to Dacia complaining that she was mis-sold the finance. She said that she was never told that what she was signing up for was a credit agreement. As I understand it, she believed that she was signing up for an instalment plan. She wouldn’t have signed up for a credit agreement as she had cash funds available to her to pay for her car outright.

Mrs R’s complaint was considered by one of our investigators. She didn’t think that Dacia Finance had done anything wrong or treated Mrs R unfairly. So she didn’t recommend that Mrs R’s complaint should be upheld.

Mrs R disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

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

Having carefully thought about everything I’ve been provided with, I’m not upholding Mrs R’s complaint. I’d like to explain why in a little more detail.

Mrs R says that she didn’t know that she was agreeing to a credit agreement as this wasn’t properly explained to her. I’ve given careful thought to what Mrs R has said. I accept that it’s entirely possible that the salesperson might not have explicitly used the word credit in any discussions on how Mrs R’s purchase would be funded.

However, I can see from Mrs R’s initial letter of complaint that she’s said her explanation consisted of being told that she would pay a certain amount each month for four years and then pay a one-off payment to keep the car, or exchange it for a newer model. I think it’s

worth me setting out that those were the broad outline terms of Mrs R's hire-purchase agreement.

Furthermore, I've also looked at the documentation which Mrs R signed in March 2018. Dacia has provided a copy of a 'Pre-Contract Credit Information' document (also known as a "SECCI") which it says was prepared for Mrs R. It has also provided a copy of a 'Customer Written Summary' document which has been signed and dated by Mrs R. Point 1 of this document indicates that details of Mrs R's monthly payments and the total amount she will have to pay are set out in the SECCI.

Dacia has also provided a copy of the hire-purchase agreement Mrs R signed in March 2018. I have considered this and have noted that in bold and right at the top of the agreement it states '**Hire Purchase Agreement regulated by the Consumer Credit Act 1974**'. Crucially, the information I've referred to in the background section of this decision, regarding the amount borrowed, the interest, total amount to be repaid and the monthly payments are all set out on this document.

Finally, I've also been provided with a copy of a letter that I understand was posted to Mrs R on 2 March 2018. The heading used on this letter (in bold and in capital letters) states '**THANK YOU FOR CHOOSING DACIA FINANCE**'. This letter asked Mrs R to confirm that the details of her direct debit payment were correct. The second page of the letter contains a series of Frequently Asked Questions. The first of the answers to these questions refers to what an APR is. It explains that it relates to the interest and charges that need to be paid.

I appreciate that Mrs R says that the necessary paperwork was quickly placed in front of her with the areas to sign being highlighted to her. I also appreciate that it is likely Mrs R's focus was more directed on the car she was purchasing, rather than the detail of the paperwork she was signing and I've also taken into account that Mrs R has provided evidence of having sufficient funds in her bank account to be able to pay for the vehicle outright.

Nonetheless, what Mrs R says means that she was aware she was entering an agreement to pay for her vehicle in instalments. And, at the very least, given what she says she about having to take the extras she was sold (which she says she had to take in order to get the plan) she knew that she would be incurring some cost as a result of paying for her car in instalments. Equally, as I've explained Mrs R's description of what she was told about the agreement broadly describes the personal contract purchase version of a hire purchase agreement (albeit with the absence of interest) that she entered into as well.

All of this together with the sheer amount of documentation that Mrs R was provided with, signed at the time of sale and was separately sent in the post, all detailing that she was entering into a hire-purchase agreement that was regulated by the Consumer Credit Act 1974, means that I cannot reasonably agree that Mrs R was misled into taking out a credit agreement she was unaware about.

Furthermore, I've thought about what Mrs R has said about being unhappy that she was misled into purchasing extras which she wouldn't have purchased. However, Dacia did not sell her the extras Mrs R is now unhappy about. It was Mrs R's motor dealer, which was also, in its own right, separately regulated to sell financial products the financial products Mrs R purchased. So if Mrs R is unhappy at the way that these products were sold to her, she should direct her concerns to her dealer in the first instance.

Mrs R has also queried why her trade in value for her previous agreement was included on her hire-purchase agreement. I've thought about what Mrs R has said. However, the trade in value was only included to reflect the fact that the vehicle Mrs R purchased cost £16,109.00

and that £13,909.04 of this was paid through the hire purchase agreement and £2,200.00 was from the part-exchange of her previous car.

I'm satisfied that including the part-exchange amount on the agreement in this way (which is standard and as I've said reflects the component parts of a purchase on a car finance agreement) didn't cause Mrs R to pay higher monthly instalments, or a higher amount when she settled the agreement early. I'm satisfied that this is the case because the interest Mrs R paid was calculated on the amount she borrowed - £13,909.00 – not the purchase price of the car, or the total amount of the credit.

Finally, I've noted that Mrs R mentioned the fact that commission might have been paid to her motor dealer for arranging her hire-purchase agreement. Our investigator separately confirmed that Dacia Finance paid commission to Mrs R's motor dealer and how much it paid. She also explained why she didn't think that this was done unfairly. Mrs R hasn't disputed, or hasn't provided anything further on, this matter. But for completeness, I'd like to confirm that for much the same reasons, I'm satisfied that Dacia Finance didn't act unfairly in relation to this matter either.

Overall and having considered everything, I've not been persuaded that Dacia Finance acted unfairly or unreasonably towards Mrs R when it lent to her, or during the course of her hire purchase agreement and so I'm not upholding the complaint. I appreciate that this will be very disappointing for Mrs R as she clearly feels strongly about her complaint and it has taken some time for it to reach this stage. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 20 March 2024.

Jeshen Narayanan
Ombudsman