

The complaint

Mrs B complains about the interest charged on a conditional sale agreement she took out with Close Brothers Limited, trading as Close Brothers Motor Finance, to buy a motorhome. She is represented by Mr B.

What happened

On 17 March 2019, Mrs B took out a conditional sale agreement with Close Brothers to help fund the purchase of a motorhome.

In March 2023 Mr and Mrs B thought their agreement was due to come to an end, so Mr B contacted Close Brothers. Mr B said that he and Mrs B hadn't received a copy of the finance agreement and that he thought the interest Mrs B was paying was too much. He said that when Mrs B took out the agreement they were told by the salesperson that the interest rate would be about 5% but it turned out to be much more than that. He also said that Mrs B hadn't received a copy of the agreement, but they hadn't noticed this at the time as they had both had some health concerns. Mr B said they thought Mrs B had taken out the agreement over a shorter period of time.

Mrs B complained to Close Brothers about the cost of the credit. Close Brothers did not uphold Mrs B's complaint. It said that Mrs B signed the agreement electronically and it hadn't done anything wrong. It said it couldn't change the interest rate on the agreement.

Unhappy with Close Brothers' response, Mrs B brought her complaint to this service. Our investigator reviewed the evidence and didn't think Close Brothers had done anything wrong. Mrs B didn't agree with this outcome and so Mr B, acting as her representative, asked for an ombudsman to review the case. So, the case 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.

I have had regard to 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 time.

Having done so, I agree with our investigator, and I do not uphold Mrs B's complaint. I'll explain why I've reached this decision.

Mr B has said that when Mrs B took out the agreement they were told by Close Brothers that the interest rate was about 5%. Mr B says they decided to take the finance because although they could have taken out a loan for the amount, the interest rate would likely have been slightly more than 5%. Essentially, Mr B says that the agreement was misrepresented to Mrs B by Close Brothers.

Under the Consumer Credit Act 1974 (as amended) the finance provider is equally

responsible if there has been misrepresentation by the selling dealership.

I can't know with any certainty what was said to Mr and Mrs B about the interest rate in that meeting, but I've looked at the agreement which Mrs B signed.

I can see that the cost of the finance is clearly set out. The motorhome cost £39,000. Mrs B paid £15,500 in cash and traded in another vehicle for £8,500 leaving a sum of £15,000 to finance.

The agreement sets out the cost of the interest, which was £4,413.40. With some other fees the charge for the credit was £3,763.40, making a total amount payable of £43,763.40 minus the £24,000 Mrs B had already paid with cash and the traded vehicle. The agreement stated that this would be paid over 60 months at a monthly cost of £329.39.

The agreement says that the interest rate is 5.75%, which is around what Mr B says the salesperson said it was. It also says that the Annual Percentage Rate (APR) is 12.1%. The reason for the difference is because the interest rate refers to the interest charged on the original amount borrowed regardless of the repayments made each month whereas the APR is calculated by combining the interest rate, additional fees and the length of the loan term, so interest is not paid on capital which has been paid off in earlier years.

So, while I can't know with any certainty how the interest was explained to Mr and Mrs B at the time of sale I am satisfied that it was clearly set out in the agreement Mrs B signed. And as the agreement detailed the exact repayments each month and how many months the repayments needed to be made I think Mrs B would have had a clear picture of the cost of the agreement and how long it was for.

Mr B says that he and Mrs B didn't look closely at the agreement she signed. They say the salesperson paged through the agreement quickly and skipped to the signature box. Mr B says that perhaps they should have taken longer to check the agreement, but the sales office was freezing, and they had a long journey ahead of them. He earlier said that it was after 18:00hrs and they wanted to be on their way before it got dark. The document was signed electronically at 13:39rs so I am not sure Mr B's recollection of the sale is entirely reliable, which is understandable given the time which has elapsed since then. And Mr B does acknowledge that they should have taken longer to be satisfied with the agreement. So, I don't think I can safely say Close Brothers did anything wrong here and I don't think Close Brothers misrepresented the agreement.

Mr B says they didn't receive a copy of the agreement after Mrs B signed it. He says if they had, they may have been able to cancel the agreement within the 14 day cooling off period and obtain a different loan instead. He says they didn't realise they didn't have a copy of the agreement until much later when they thought the agreement was due to come to an end and he contacted the business. Health concerns had meant that he and Mrs B hadn't paid close attention to the agreement in the intervening four years.

Close Brothers should have provided Mrs B with a copy of the agreement. It says it would have done this. It's not possible now to say whether this happened at the point of sale in the form of a paper or emailed copy or at a later date, either by post or by email, or not at all. I note, however, that Mrs B received an annual statement each year and these would also have shown the amount paid, the amount outstanding and the interest amount payable. So, on the balance of probabilities I think Mrs B had opportunity to query the lack of a copy of the agreement if she hadn't received one and to understand the costs involved after the sale.

Mr B says that as Close Brothers has now already received nearly £18,000 when Mrs B only borrowed £15,000 to start with that it should cancel the agreement because Close Brothers

has had a 'good return'. Close Brothers isn't obliged to change or cancel the terms of the agreement and I am satisfied they have done nothing wrong in declining to do so. There are options for Mr and Mrs B to explore if Mrs B wants to end the agreement early and they may wish to look into these further, although I appreciate Mr B says that it will not save them much money.

On balance, on the basis of the evidence available to me, I don't think Close Brothers have acted unfairly and I do not uphold Mrs B's complaint.

My final decision

I do not uphold Mrs B's complaint and so it follows that I do not direct Close Brothers Limited, trading as Close Brothers Motor Finance, to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 30 September 2024.

Sally Allbeury
Ombudsman