

The complaint

Mr F complains that Hyundai Capital UK Limited trading as Kia Finance misrepresented the interest payable on his car finance loan. Mr F believes he is being overcharged for the credit because of this.

What happened

Mr F entered into the agreement in February 2022, the cash price of the car was £36,745, he made an advance payment of £18,000 and took £18,745 out on credit to finance the balance.

Mr F says he went to the dealership to purchase a car, he says he planned to pay for the car in full from his own funds but was convinced by the dealer to take finance as he would get a discount of £1,000. Mr F says he asked about the monthly repayments and was told £127.49 over 36 months with a final balloon payment of £17,349. He says he also asked for the interest rate and was told 3.04%.

Mr F says it wasn't until he took possession of the car, he was able to go over the finance agreement and realised that the interest was higher than 3.04%.

Mr F complained to Hyundai, but it didn't uphold his complaint, it said the information about the charges applicable to the credit was written clearly and as Mr F signed the agreement, there wasn't an error made. Hyundai also said it hadn't seen any evidence to show Mr F was told the interest will be 3.04%.

Mr F wasn't satisfied with Hyundai's response and so he referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't think Hyundai had done anything wrong. She said the information was clearly displayed on the document Mr F signed and she didn't think a misrepresentation had occurred.

Mr F disagreed. He said he was told the interest he'd pay was 3.04% but the agreement shows an APR of 5.9% which in effect means he will be paying more than he was led to believe. Mr F says Hyundai's practice has cheated him of £2,000.

As the complaint hasn't been resolved, it has been passed to me an ombudsman to make a 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.

Mr F complains about a conditional sale agreement. So, our service is able to consider complaints relating to it. Hyundai is the supplier of the car under this type of agreement and so is responsible for dealing with a complaint about the agreement.

In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time.

Mr F signed the agreement for his car finance in February 2022. I've looked at this agreement and I can see the terms of the agreement show that the interest rate of the amount of credit was 3.04% per annum fixed for the duration of the agreement. The agreement also states there was an APR of 5.9% and explains that some assumptions were made in calculating the APR.

This information was displayed clearly and prominently on the agreement, and I'm satisfied Mr F likely saw this information before he signed the agreement. This information is also displayed on the same page as Mr F's signature.

I think a reasonable person in Mr F's position would have thought that the information on the agreement he signed and what he says he was told by the dealer weren't the same and as it was such an important factor in his decision to take the credit, would have queried what the different percentage figures on the agreement meant. I haven't seen any evidence to show Mr F did this. Mr F was told the figures by the dealer, the monthly repayments, the term of the agreement and the balloon payment i.e., 36 payments of £127.49 plus a balloon payment of £17,349.15. Mr F agreed to these figures and these figures were correct. So even if as he says, he had been given incorrect information about the interest rate Mr F was still prepared to take the loan under that repayment schedule and agreed to make those terms.

From what I've seen Mr F didn't raise any issues about this until later. I appreciate Mr F says he isn't a financial expert but has provided a detailed calculation of how he thinks the interest on his car finance should have been calculated. Mr F has been detailed in his explanation of what he should repay, which suggests he has some understanding of the figures. I accept Mr F isn't an expert and that these calculations are complex and often times specific to the lender. My point here is that Mr F could reasonably have challenged the discrepancy he says is there – the difference between what the dealer told him and the figures on his agreement at the time.

Mr F didn't query the information when he ought reasonably to have but signed the agreement having been given clear and prominent information. As the investigator has said expressing the APR is a requirement by the industry regulator, the Financial Conduct Authority (FCA).

I'm aware of Mr F's strength of feeling about his complaint as he's clearly expressed strong views about the calculations and as stated above, has provided detailed calculations of what the APR should be rather than what Hyundai has calculated. I've considered this information, but it isn't for this service to carry out those calculations, the FCA has provided a formula for businesses to calculate the APR on a credit agreement which can be different from the rate of interest on the amount of credit. This information was clearly displayed on Mr F's credit agreement which he signed agreeing that he'd be legally bound by those terms.

So, while I'm sympathetic to Mr F's concerns, I don't think Hyundai has treated him unfairly and I won't be asking it to take any actions to put things right for Mr F.

My final decision

For the reasons given above, I do not uphold Mr F's complaint or make any award against Hyundai Capital UK Limited trading as Kia Finance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 26 December 2024.

Oyetola Oduola
Ombudsman