



## Case study: Non-Bank Money Services/Credit

### COMPLAINANT TOLD TO TAKE OUT A LOAN TO BUY A CAR WITH A SPECIFIC LOAN PROVIDER

Themes: car dealership; garage; loan provider; settled by FSP.

This complaint relates to a complainant who said she was told to take out a loan with a specific loan provider when she wished to buy a car from a local car dealer.

In 2018 Miss N approached a local car dealership to buy a new car. To pay for it she applied for a loan with her local bank, but she was told by the car dealership that she would not be able to use the bank loan but had to take a loan out with a specific, more expensive, finance facility. Miss N agreed to take the loan with the specified loan provider, and she also went ahead with the bank loan and used those funds for other purposes.

Miss N subsequently noticed that the more expensive loan provider had calculated the overall repayment costs to be about £3,500 more than the bank loan. In October 2023 she made a complaint to CIFO. Before CIFO could fully investigate, Miss N's loan provider offered to compensate Miss N the cost of the balloon payment at the end of her loan contract of about £2,000, but Miss N rejected that offer and asked CIFO to continue investigating her complaint.

Miss N's more expensive loan provider then queried why CIFO was reviewing the complaint because the car dealership was the party which had introduced Miss N to them. But CIFO noted that, although Miss N had said she had been coerced by the car dealership to take the loan out with a specific loan provider, the loan provider had continued with the loan terms fully aware of how the loan had been introduced.

CIFO was unable to investigate the car salesman's alleged comments about the loans because he had by then left the car dealership. Garages that broker agreements are typically subject to regulatory oversight in that jurisdiction. A loan introducer's regulatory obligations are less clear. CIFO concluded that it had the statutory power to consider the complaint against the loan provider.

After CIFO started to investigate the complaint, Miss N's loan provider offered, as a gesture of goodwill, to compensate her for the full difference in cost between her bank loan and the loan she had taken out with the specified loan provider. Miss N accepted that offer without the need for CIFO to investigate further.