

The complaint

Mr D complains about a car he acquired via a hire agreement with Tesla Financial Services Limited ('Tesla'). He says the car had various issues with it that took several months to correct.

What happened

In December 2020 Mr D acquired a new car using a hire agreement provided by Tesla. The cash price of the car was £44,435. The agreement was taken over four years, with monthly repayments of £523.34.

Mr D says the car immediately had issues. He says there was glue residue on the door cards and passenger seat that the dealer couldn't remove. He says when he took the car home, a software update was applied and the car then displayed a battery fault and wouldn't start.

The issue with the battery warning was repaired by replacing a '12v battery'. But, when Mr D collected the car it had another fault with a "*passenger side repeater camera*". This was also replaced.

Mr D complained to Tesla. He said a new car shouldn't have had these issues. And he was unhappy the door cards had not yet been repaired. Tesla responded and offered Mr D a £90 voucher.

At the end of December 2020 Mr D contacted Tesla again. He asked to escalate the complaint. A few days later he got back in touch again and said both pillar camera were misting up and showing errors. Tesla responded and offered to cover some travel costs for Mr D. And it said it had booked the car in for a repair. Mr D remained unhappy with his and continued to complain. Tesla said it wouldn't offer anything further.

Around mid-January 2021 Mr D got in touch with Tesla again and said he'd noticed issues with the paintwork on the car. And he complained that the door panels still weren't repaired and the repair date had been delayed.

Mr D remained unhappy with the situation. He asked Tesla to provide a final response to his complaint and referred the issue to our service. Tesla sent an email that it said should be taken as its final response to the complaint. It didn't offer Mr D anything further.

In February 2021 Mr D says he had further issues with the car. He says another camera began to have problems. The car was repaired in mid-February, with two cameras replaced and an air conditioning issue also repaired.

In March 2021 Mr D said the paintwork was getting worse and more marks were showing up. And he was unhappy the door cards were still not repaired. At this point he told Tesla he wanted to reject the car.

In May 2021 the door cards were replaced and Mr D confirmed this had resolved this issue.

But, he said the paintwork problems were still outstanding.

In July 2021 the car was returned for the paintwork to be rectified. The car was given back to Mr D in September 2021, but he said the paintwork issues were still present. At the end of September 2021 the car was again returned for the paintwork to be repaired.

In October 2021, the car was returned to Mr D and he said it was of the standard he expected it to be when he acquired it.

While the complaint was with us, Tesla offered Mr D £300 to reflect the issues with the car.

Our investigator issued an opinion and upheld the complaint. He said, in summary, that he thought the car had multiple issues with it. He said Mr D should be reimbursed 10% of his repayments from December 2020 until the car was fully repaired in October 2021, in addition to the £300 Tesla had offered.

Tesla said it would accept the investigator's recommendations. Mr D remained unhappy. He said the recommendation wasn't enough to reflect what had happened. He said the glue on the doors meant he sometimes couldn't drive the car - depending on what he was wearing. He said he was given an older model to drive when his car was being repaired. And he reiterated the other issues he had with the car. Mr D said he felt he should get back 50% of the repayments he'd made.

Our investigator said this didn't change his opinion. So, the complaint was passed to me to decide. While I was looking into things, I asked Mr D to provide some further details about the courtesy cars he was given. He confirmed he was given a larger model from the same manufacturer. But, he said this was older, and due to the size of the car it was hardly used and he instead mostly used a family member's car.

I sent Mr D and Tesla a provisional decision on 13 April 2022. My findings from this decision were as follows:

Mr D complains about the quality of a car acquired under a hire agreement. Entering into consumer credit contracts such as this is a regulated activity, so I'm satisfied I can consider Mr D's complaint about Tesla.

When considering what's fair and reasonable, I have regard for relevant law, guidance and regulations. The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. This explains that under a contract to hire goods, the supplier – Tesla here – has to make sure the goods are of 'satisfactory quality'. Satisfactory quality is what a 'reasonable person' would expect – taking into account any relevant factors.

In a case like this involving a car, it seems to me a court would consider relevant factors to include, but not be limited to, things like the car's age, price, mileage and description. So, I'll consider here that the car Mr D got was brand new, from a premium manufacturer and cost over £44,000. It's also relevant to note that Mr D was paying over £500 a month to hire the car.

Considering all of this, I think a reasonable person would have very high standards for the condition of the car when it was supplied. And I think they would expect it to be free of even minor faults and/or minor cosmetic issues.

So, what I need to consider here is whether the car supplied to Mr D was of satisfactory quality or not. If it wasn't, I need to consider what would be fair and reasonable to put things right.

As a starting point, I need to consider if the car had any faults that were present or developing at the point of supply. In this case, it doesn't seem in dispute that this was the case. But, I still think it's worth me commenting very briefly on this.

I can see from the correspondence, along with the job sheets provided by Tesla and the photos from Mr D, that the car almost immediately had issues with glue on the door cards, a battery and a camera. Shortly after this, the car developed further camera faults. And, within a few months of supply, the car had developed issues with the paintwork.

I'm satisfied all of these faults were either present or developing at the point of supply. I'm satisfied a reasonable person wouldn't have expected the car to have had any of these faults. So, it follows given the number of issues with the car that I'm satisfied it was not of satisfactory quality when it was supplied to Mr D.

I can see that Mr D at one point asked to reject the car. But, I'm then satisfied from what I've seen that he authorised further repairs. It appears the car was returned to Mr D on 5 October 2021 where it was fully repaired. A repair is one of the remedies available to Mr D under the CRA. So, in the main, I'm satisfied Tesla have met Mr D's rights under the CRA.

But, that being said, I still need to consider if Tesla needs to do anything further to put things right. And, thinking about what happened here, I think it does.

Mr D immediately reported issues with the car. But these weren't fully put right until roughly ten months later. I don't think this is an acceptable amount of time for Mr D to await a full repair. During this time period, I think it's fair to say the car wasn't performing, and didn't cosmetically appear, as Mr D would've expected it to.

Given Mr D had impaired usage of the car, I agree with our investigator that it isn't reasonable for Mr D to pay the full rental amount under the agreement - and so he should get a proportion of the repayments back. Our investigator said he thought it would be fair for this to be 10%. Mr D said it would be fair to get 50%.

I've carefully thought about this. I need to consider that, while frustrating for Mr D, the car could still be driven as intended for the most part. So, I don't think 50% is reasonable. But, I do think a slightly higher amount of 15% would be fair under all of the circumstances.

There were also a couple of periods where Mr D was supplied with a courtesy car for more than a few days. I have considered that Tesla kept Mr D mobile here - which is what I would expect to see. But, I also need to consider that he was paying for a brand new car but was lent an older one, and it was an older model.

I also take Mr D's point that the car he was supplied with was bigger than the one he was paying for and could be considered a large size for UK roads. So, while there's limited information here, I can't see any reason to dispute Mr D's version of events that he didn't drive the courtesy cars as much as he would have his own. Taking all of this into account, I'm satisfied Mr D wasn't getting what he paid for when he was provided with a courtesy car.

So, I think it's fair and reasonable for Mr D to be reimbursed 50% of the repayments due under the agreement for the longer periods he was without the car. Tesla have said these dates were from 30 July 2021 for 48 days and 27 September 2021 for seven days.

Finally, I'm also satisfied that Mr D suffered distress and inconvenience because of what happened here. I've thought about Tesla's offer of £300 to reflect this. But, I need to consider that Mr D has told us he had to take various time off work, repairs were rearranged several times and he had various other issues during the time he had the car. I've also

thought about the fact it took around 10 months to resolve the issues.

Considering this, I think Tesla should pay Mr D an additional £200 – making £500 total – to reflect the distress and inconvenience it caused Mr D.

I gave both parties two weeks to respond to my provisional decision with any further comments or evidence. Mr D got in touch and thanked me for the decision. Tesla didn't respond.

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.

Having thought about everything again, I still think this complaint should be upheld. This is due to the same reasons I explained in my provisional decision and set out above.

My final decision

My final decision is that I uphold this complaint. I instruct Tesla Financial Services Limited to put things right by doing the following:

- Reimburse Mr D 15% of all repayments made towards the agreement from when he acquired the car until 26 September 2021*, excluding the period below where it should:
- Reimburse Mr D 50% of 48 days prorated repayments from 30 July 2021*
- Reimburse Mr D 50% of seven days prorated repayments from 27 September 2021*
- Pay Mr D £500 to reflect the distress and inconvenience caused**

*These amounts should have 8% simple yearly interest added from the time of payment to the time of reimbursement. If Tesla considers that it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Mr D how much it's taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 31 May 2022.

John Bower
Ombudsman