

The complaint

Mr H complains that a car he bought on finance with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services ("Audi Finance"), wasn't of satisfactory quality.

What happened

In March 2022, Mr H entered a hire purchase agreement with Audi Finance for a used car. The car was just over a year old and had travelled 18,136 miles at the point of supply. The cash price was £26,775, Mr H made an advanced payment of £8,478.59 and agreed to make 47 monthly payments, with an optional £10,758.75 balloon payment, if he wanted to keep the car.

Within a week of having the car Mr H said the multimedia infotainment system stopped working and he experienced intermittent problems with the cruise control. The car was returned to the dealership for repairs between 13 April to 22 April 2022.

In June 2022 Mr H reported he was still experiencing issues with the cruise control and also problems with the gearbox and SOS system. The car was taken to his local main dealership who had the car for a few weeks for repair. In July 2022 the car was returned to the same local dealership due to a problem with the driver door seal which was replaced.

Mr H returned the car to the local dealership on 23 August 2022, because the replacement driver door seal had become loose. Mr H also reported that he was still having intermittent problems with the gearbox and the cruise control. The door seal was replaced again, but the dealer couldn't replicate the intermittent problems with the gearbox or cruise control. At the time the recorded mileage was 24,659.

Mr H was provided with a courtesy car for all but one visit back to the local dealership.

Mr H contacted Audi Finance in September 2022, he had lost confidence in the car and wanted to reject it. He also wanted his deposit back and asked for all his monthly instalments to be refunded.

In its final response in November 2022 Audi Finance accepted the car wasn't of satisfactory quality and agreed to accept rejection of the car. It offered to refund Mr H's deposit and agreed to pay him £250 compensation to reflect the stress and inconvenience caused. Mr H was unhappy with the offer, he didn't think Audi Finance should be able to retain any of his monthly payments.

Audi Finance said Mr H had agreed an annual mileage of 15,000 (pro rata 1,250 miles per month), but had still managed to cover 6,527 miles, an average of 1,450 miles per month between the point of supply and 9 August 2022. Audi Finance said it wouldn't refund Mr H's payments because despite the problems, he'd had significant usage of the car and achieved more than the expected monthly average mileage.

Unhappy with Audi's response Mr H brought his complaint to our service. Mr H said the car had developed further electrical problems. Our investigator didn't recommend the complaint

be upheld. He thought that Audi Finance's offer was fair, he didn't think it needed to refund any of Mr H's monthly repayments because he had got significant usage of the car and thought it was fair that he paid for this.

Mr H disagreed, he asked for an ombudsman to make a final decision. In April 2023 Mr H provided a photograph of his current 32,425 mileage.

On 24 April 2023 I issued a provisional decision saying I was minded to uphold the complaint. I said the parties appeared to agree the car had faults when it was supplied, and these faults meant the car was of unsatisfactory quality. In the circumstances I thought Audi Finance needed to do more to put things right.

As Mr H was driving the car with ongoing intermittent issues, I thought it was fair for Audi Finance to retain some money for Mr H's use but refund him 15% of his monthly repayments (plus 8% simple interest per year) to reflect his impaired use. And since Audi Finance hadn't previously offered to refund any part of Mr H's monthly instalments, I said the 8% simple interest should be paid from the date of the payment until the date of settlement.

Audi Finance had already agreed to refund Mr H's deposit, but I thought it should add 8% simple interest to this payment, in line with our approach to add interest where a consumer is deprived of money. I said Audi Finance should pay the 8% simple interest per year from the date of the payment until the date it offered to refund the deposit in November 2022.

I thought Audi Finance's offer to pay Mr H £250 compensation to reflect the inconvenience and frustration caused by having to return the car to the garage on a few occasions was fair.

I gave both parties an opportunity to comment on what I said. Mr H was happy with my provisional decision and accepted it. Audi Finance, didn't reply, despite further contact from our investigator.

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.

As Mr H accepted my provisional decision and Audi Finance hasn't responded, I see no reason to make any changes to the conclusions reached in my provisional decision.

My final decision

My final decision is that I'm upholding this complaint and I instruct Volkswagen Financial Services (UK) Limited trading as Audi Financial Services to:

- cancel the agreement with nothing further to pay
- arrange to collect the car at no cost to Mr H
- refund the deposit together with 8% simple interest per annum from the date of payment to the date it offered to refund the deposit on 9 November 2022
- refund 15% of the instalments Mr H made, adding 8% simple interest per annum to that refund from the date of the payment until the date of settlement
- pay Mr H £250 compensation
- remove any negative information it may have recorded on Mr H's credit file in relation to this agreement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 June 2023.

Karen Dennis
Ombudsman