

## **The complaint**

Mrs Q complains about a car she acquired under a hire purchase agreement financed by Volkswagen Financial Services (UK) Limited, trading as Bentley Financial Services ("BFS").

## **What happened**

In April 2021 Mrs Q acquired a brand new Bentley under a regulated hire purchase agreement with BFS. Its cash price was £174,250. She paid a deposit of £47,825, and the rest was to be paid in 47 monthly payments and then a balloon payment.

Mrs Q immediately discovered some faults with the car, and a number of other faults came to light over time. She complained to the dealership, then to BFS, and finally to our service. Eventually, the car was inspected by an independent expert. Although some of the faults have been repaired, some have not been, and it is not in dispute that the faults were present at the point of sale. Although BFS initially told Mrs Q that the problems would be fixed by a software update, and it later told her that she should pursue the matter with the dealership rather than with BFS, it now accepts that it is responsible, and that Mrs Q should be allowed to reject the car and end the agreement. It only falls to me to decide how much Mrs Q should be paid to fairly resolve this complaint.

One of our investigators decided that the car should be collected and the agreement cancelled, and any adverse data removed from Mrs Q's credit file. He also thought that BFS should refund her deposit, refund 25% of her monthly payments, pay her interest on those refunds at 8% a year, and pay her £500 for her inconvenience.

BFS initially argued that 25% of the monthly payments was too high, but the investigator persuaded it to accept that figure by pointing out that the mileage driven was lower than average, and that this was due to the intermittent faults with the car.

Mrs Q did not accept the investigator's opinion at all. She said that 25% was much too low. She argued that she would not have had to keep paying for a defective car every month if BFS had let her reject the car in the first place, as she had reported the faults in the first week. She said that she should be refunded 100% of her payments. Alternatively, there should be a full refund with a deduction for use of 72p a mile (a rate proposed by the dealership in October 2022). A third option she suggested was that she be refunded 100% – minus a deduction for use at 72p a mile – up to 16 March 2022 (being the date of BFS's first final response letter, in which BFS had first accepted that there was a problem), and then a refund of 100% of the payments she has made since then.

Mrs Q also said that if she got a similar car under a new finance agreement, the interest rate on the new agreement would be much higher than the rate she currently has; if nothing had gone wrong with this car, she would not now have to start paying more each month. She said there is likely to be a lengthy period between rejecting the current car and getting a new one, so she should be compensated for not having a car in that period. Finally, she said that £500 was not enough to reflect the inconvenience to which she had been put, which had included driving the car a long distance to the garage several times (about a 30 minute drive).

Since no agreement could be reached, this case was referred for an ombudsman's 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.

I will not award a 100% refund, or a 100% refund minus a deduction for the mileage driven, because if Mrs Q had been allowed to reject the car immediately then she would have got another car and then she would have been paying for that. So a full refund would mean that she would effectively have had a free car since April 2021, and that would not be reasonable.

Instead, this Service's usual approach in such cases is to require the deposit to be refunded, and also – in appropriate cases – a proportion of the monthly payments to reflect the complainant's lost use or impaired use of the car (lost use meaning the time the car was in a garage, and impaired use meaning when some features didn't work). That proportion is not calculated by strict reference to the mileage driven and a rate per mile, but rather by consideration of the extent of the problems Mrs Q faced while she had the car.

That is never an exact science, but I think that 25% is fair compensation and is in line with what our service would typically award in a case like this one, together with a further £500 for her inconvenience in connection with bringing her complaint to BFS and then to our service.

I appreciate that interest rates will have changed since Mrs Q acquired the car, but I'm afraid that is not something we would require BFS to pay for. No would we require BFS to provide her with a courtesy car for any period when she is between cars, or the cost of public transport during such a period.

### **My final decision**

My decision is that I uphold this complaint. I order Volkswagen Financial Services (UK) Limited to:

- End the hire purchase agreement with nothing further to pay, and remove any adverse data about it from Mrs Q's credit file,
- Collect the car at no cost to her,
- Refund the deposit,
- Refund 25% of the monthly payments,
- Pay interest on those refunds at the rate of 8% a year simple, from the dates each payments was made to the date of settlement, and
- Pay Mrs Q £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs Q to accept or reject my decision before 13 October 2023.

Richard Wood  
**Ombudsman**