

The complaint

Mr M complains about the quality of a car supplied to him under a personal contract purchase (PCP) agreement with NIIB Group Limited, trading as Northridge Finance ("Northridge").

What happened

In April 2021 Mr M took out a PCP agreement with Northridge. This was for a new car with a cash price of £25,319.80, purchased from one of the manufacturer's dealerships. Mr M agreed to pay a deposit of £2,500, with the rest repayable over 48 months using the finance agreement.

Mr M says he had to take the car back to the dealership in August 2021 due to a problem with the parking sensor. He says he was initially told this was accidental damage caused by a stone chip on one of the sensors, which wouldn't be covered under the manufacturer's warranty. Mr M says he disputed this, and it was eventually resolved.

Mr M says the dealership also carried out a software update in August 2021 in response to a manufacturer's recall – and that this caused some of the car's systems to stop working properly. He says he had to take it back for more software updates to get this sorted.

Mr M says he continued to have issues with the car. In August 2022 he complained to Northridge about problems he'd been experiencing, including:

- Failure of the air conditioning.
- Issues with sensors randomly triggering warnings, such as SOS and front sensor warnings.
- Engine and drive train failure.

Mr M said the car had lost power on two occasions, one of which almost caused an accident because it refused to accelerate whilst he was joining a motorway. Northridge didn't give Mr M a final response to this complaint, so in December 2022 he asked us to look into it for him.

Our investigator asked Northgate for information about the case. Northgate responded in March 2023, saying the dealership had made an offer to end the agreement and find Mr M a replacement car. Mr M told us he didn't want to accept that offer, because the replacement cars the dealership had offered him would cost more money.

Our investigator said she didn't think the car had been of satisfactory quality when it was supplied, due to the fault with the air conditioning system. She didn't think Mr M had incurred any loss, because that fault was repaired without charge for him. But she thought Northridge should pay him £150 for the distress and inconvenience he'd been caused.

The investigator wasn't persuaded that any of the other issues Mr M had told us about also meant the car wasn't of satisfactory quality.

Mr M said a brand new car shouldn't have issues every month – and that it had been at the garage more than six times in less than two years. He said there'd been several software faults which cleared themselves after turning the car off, which meant they weren't stored in the car's memory. He provided photos of dashboard warnings he'd seen. He said he considered these to be faults, regardless of whether or not the garage had been able to replicate them.

Mr M said he'd had to pay the cost of petrol to get these issues investigated, as well as losing earnings due to having to take time off work and spending several hours of his own time to raise a complaint. He didn't think £150 was enough to compensate him for this - especially bearing in mind the very high value of the payments he'd been making for this premium brand of car.

Northridge said they were happy to settle the complaint in the way our investigator had recommended. But as Mr M disagreed, the case has been passed to me for a final decision.

My provisional decision

After reviewing the evidence, I issued a provisional decision saying:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The agreement Mr M entered into was a PCP agreement so this service can consider complaints relating to it. Under this type of agreement, Northgate is also the supplier of the car and is therefore responsible for a complaint about its quality.

When considering what's fair and reasonable, I take into account relevant law and regulations. The Consumer Rights Act 2015 (CRA) is relevant to this complaint. It says that under a contract to supply goods, there's an implied term that the quality of the goods is satisfactory.

The CRA says the quality of goods includes their state and condition. It says things like fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability can be aspects of the quality of goods.

The standard that's applied is whether a reasonable person would consider the quality of the goods to be satisfactory, taking into account the way they were described, the price and all the other relevant circumstances. It seems likely that in a case involving a car, the relevant circumstances a court would take into account might include things like its age, mileage, and history.

I bear in mind that this was a brand new car - and this is generally considered to be a premium brand. So, I think it was reasonable for Mr M to expect that he wouldn't have any major issues with it in the first year. I've considered the evidence Mr M has provided, to assess whether I think the problems he's highlighted meant the car wasn't of satisfactory quality.

Parking sensor problem and software updates

Mr M says he'd had the car less than three months when a problem came to light with the parking sensor. He's told us that software updates were also needed due to a

manufacturer's recall. He says he had to take the car back to the dealership again due to problems with these updates, and that he was given some compensation for this.

I've seen no further information about what happened here, so I'm unable to consider these issues. I'm pleased to hear both problems were resolved for Mr M.

Air conditioning problem

Mr M has shown us a copy of an email from the dealership, confirming they saw the car on 29 July 2022 for "Recall and A/C Condenser" and on 3 October 2022 for "Air con control unit". Mr M has also provided a screenshot of the dealership's diagnostic report, saying:

"checked and found aircon condenser requires replacing due to a manufacturing defect with channel veins on condenser causing leak".

Based on this evidence, I'm satisfied that there was a fault with the car. And as this was reported to be due to a manufacturing defect, I'm also satisfied that it would've been present or developing when the car was supplied to Mr M.

Given that this was a brand new car, I think Mr M was entitled to expect all the main features to be working correctly. So, I think the defect with the air conditioning system meant the car wasn't of satisfactory quality when it was supplied.

I understand this fault was fixed without charge to Mr M.

Dashboard warnings and loss of power

Mr M says he's continued to have issues with sensors randomly triggering warnings about faults with the car's systems. He's provided a number of photos of the dashboard showing warnings displayed, and told us dates on which these photos were taken. I'll summarise what this information shows:

<i>13 August 2021:</i>	<i>"Pre sense: fault."</i>
<i>4 October 2021:</i>	<i>"SOS Emergency call function: fault. Function unavailable."</i>
<i>7 December 2022:</i>	<i>"Pre sense: fault."</i>
<i>25 February 2023:</i>	<i>"Vehicle start system: fault"</i>
<i>27 March 2023:</i>	<i>"Pre sense: fault."</i>
<i>28 May 2023:</i>	<i>"Vehicle start system: fault" and "Drive system: fault."</i>

Mr M has shown us a report from a breakdown service dated 5 August 2022, at which time the car was recorded to have travelled 6,573 miles. It says:

"Cylinder no 2/3 misfiring detected."

He's also provided a screenshot of a diagnostic report from the dealership, saying:

"found sporadic misfire fault on cylinder 1 & 2 occurred at the same time and only once."

Mr M has told us that this was the second time the car had lost power. But the reports show the problem didn't happen again when it was test-driven.

I appreciate there's something of a lack of evidence as to what's likely to have caused the warnings to be displayed or the car to lose power. But I do think the evidence indicates there's something wrong with the car. And although these were intermittent problems, I think they were potentially significant. I note in particular that Mr M says on one occasion the car wouldn't accelerate as he was joining a motorway.

I bear in mind Northgate didn't provide a response to Mr M's complaint – and they didn't provide us with any information about diagnostic work or repairs that have been carried out to the car. They told us this was because the complaint was already being investigated by the manufacturer/dealership, which ultimately resulted in an offer to end the agreement and find Mr M another car.

In the absence of further information about this, I think it likely Northgate don't dispute that the car wasn't of satisfactory quality due to the various issues Mr M has highlighted. If I'm mistaken here and Northgate would like me to reconsider this point, I'd invite them to forward copies of all relevant diagnostic reports and job cards detailing what investigation and repair work the dealership has carried out on the car since it was first supplied.

For these reasons, on balance, I think it most likely that the intermittent problems Mr M has reported with warning messages being displayed and the car losing power are due to one or more faults. And as these problems came to light within the first year, I don't consider the car to have been of satisfactory quality when it was supplied to Mr M. I think he could reasonably expect it to last longer than that without significant issues.

Putting things right

Mr M has told us that he's continued to have problems with the car, despite several visits to the garage to try to diagnose and fix whatever is causing this to happen. So, I don't think it would be reasonable for me to direct Northgate to repair the car.

Mr M says he doesn't want to reject it because all the deals he's been offered would cost him more money. He feels strongly that he shouldn't have to pay more because he's been forced to trade this car in sooner than he expected. I've given careful thought to the point he's made here.

I've seen little evidence to help me assess how often these issues are happening. I do appreciate that it's difficult for Mr M to record evidence of this as he's driving. I don't think the problems can be having a significant impact on Mr M's use of the car, because he's told us he may be prepared to keep it. I bear in mind that Mr M may be able to get the issues fixed at some point - but I can't say how long it might be before a solution is found. For these reasons, I don't think it would be fair or reasonable for me to direct Northridge to reduce Mr M's monthly payments for a set period of time.

Having thought about all of this, I think Mr M should now be allowed to reject the car. This means the agreement should come to an end, and his deposit should be refunded.

I do think the issues with the car have caused stress and inconvenience for Mr M over many months. As well as visits to the garage, he's had to call a breakdown service due to the engine misfiring. I think experiencing a loss of power from the engine whilst trying to accelerate onto a motorway would've been quite frightening. I think Northgate should pay him £500 compensation for the distress and inconvenience he's been caused.

For the reasons I've explained, I intend to uphold this complaint and direct NIIB Group Limited, trading as Northridge Finance to:

- End the agreement,*
- Collect the car at no cost to Mr M,*
- Refund the £2,500 deposit Mr M paid,*
- Pay Mr M £500 compensation for the distress and inconvenience he's been caused.*

I invited both parties to send me any further information or comments they'd like me to consider.

Mr M said he was looking to purchase another car. He said there was currently around £4,500 equity in the current car, which he'd lose if he rejected it. He said he'd like to keep the car, but for Northridge to return his deposit and pay him £500 compensation. He felt this may be best for both parties, as it would avoid Northridge having to incur collection costs.

Northridge responded, saying the lack of information provided to our service wasn't due to any inaction on their part. They said Mr M had chosen to liaise directly with the manufacturer as his preferred complaint handler - and that this had effectively removed them from the complaint outcome process.

Northridge queried why Mr M would want to keep a car deemed to be of unsatisfactory quality. They said this wasn't an outcome they could consider as they'd be responsible if Mr M experienced further problems - or a recurrence of previous issues with the car. They said they thought the car should be taken back.

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 appreciate Mr M may prefer not to reject the car. In my provisional decision I explained why I didn't think it would be fair for me to direct Northridge to reduce his payments for a set period of time. For the same reasons, I don't think it would be fair for me to direct Northridge to refund Mr M £2,500 due to the issues he's had with the car.

In my provisional decision I explained that I'm satisfied Mr M has the right to reject the car. If he chooses to exercise that right, he'll be entitled to a refund of the £2,500 deposit he paid.

I remain of the view that it would be fair for Mr M to receive £500 compensation for the distress and inconvenience he's been caused by the issues with this car. That includes having to look for another car sooner than he expected. I've received no new information or evidence to persuade me that a greater amount of compensation is justified here.

My final decision

For the reasons I've explained, I uphold this complaint and direct NIIB Group Limited, trading as Northridge Finance to:

- End the agreement,
- Collect the car at no cost to Mr M,
- Refund the £2,500 deposit Mr M paid,
- Pay Mr M £500 compensation for the distress and inconvenience he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 October 2023.

Corinne Brown
Ombudsman