

The complaint

Miss K has complained that she is unhappy with the quality of a car she acquired in January 2023, using a hire purchase agreement with N.I.I.B. Group Limited, trading as Northridge Finance ("Northridge").

What happened

Miss K acquired a used Land Rover in January 2023, using a hire-purchase agreement with Northridge. The car was nearly six years old, with a mileage of 49,000. The cost of the car was just under £33,000, of which Miss K borrowed £21,603.99 over a term of 60 months with a monthly repayment of £453.32.

Miss K said that straight after getting the car, she had a problem, in that there seemed to be no power when pulling away. The dealership advised her to contact the warranty company – it told her to take the car to a specialist. Miss K took the car to a local Land Rover garage, and the diagnostic report refers to issues with the cylinders and states that the car will require a new main block. The mileage at that point was 50,306.

The car was then collected for repair by the selling dealership. It was returned just over a week later at the beginning of February 2023 (Miss K having been provided with a courtesy car in the interim), with the dealership saying that the issue had been an electrical fault which had been fixed. The dealership also offered to extend the warranty on the car from six months to three years.

Miss K said that the problem with the car reoccurred in May 2023. Again she was told by the selling dealership to take the car to a specialist, and this she did. In summary, this Land Rover garage concluded that the car was '*breathing excessive oil*', there was suspected '*premature bore wear on cylinders 1 & 4*' and that a new engine was required, along with possible replacement of the turbo and intercooler.

The selling dealership collected the car in mid-June 2023, and returned it a month later after carrying out the following repairs:

- Replacement of block;
- Crank stripped and polished;
- New set of crank bearings;
- New piston ring set;
- Replacement of gasket;
- Turbos inspected and believed these were fine;
- Intercooler inspected and flushed;
- Cylinder head inspected and diagnosed as fine;
- Full lower engine rebuild.

The day after the car was returned, Miss K found that oil was leaking from the car over her driveway. She spoke to the selling dealership and was again told that the car needed to go to another specialist for diagnostic tests. After she spoke to the warranty company, Miss K

said that she then received a phone call from the selling dealership, in which its representative was aggressive towards her (although the dealership disputes this).

After this, Miss K felt that she wanted to reject the car. The selling dealership didn't agree, saying, in summary, that the initial problem was due to an electrical fault, the cause of the second issue was found to be the failure of number 4 piston oil ring and according to the independent engineer this would've happened quite suddenly, and finally its pre-delivery inspections did not identify any underlying issues with the vehicle.

After this, Miss K complained to Northridge. It wrote to her in July 2023 to say that it hadn't completed its investigation, but that given the time it was taking she could bring her complaint to this service. This she did. During the course of this complaint, Miss K also arranged for an independent inspection of the vehicle at her own expense. I have a copy of the report and its contents are discussed below.

Our investigator looked into Miss K's complaint, and concluded that it should be upheld. Northridge asked for more time to consider its response to our investigator's view, and our investigator agreed to its request for an additional 14 days to prepare its submissions. It did not send anything in, despite a reminder at the time. Miss K's complaint was then referred for review by an ombudsman, with a further deadline of mid-October given to Northridge to provide any further information it wished to be considered. Northridge did not send anything in, and nor did it request any additional time to respond. As over a month has passed since that final deadline, and as Northridge has not responded after being prompted to do so, I am now issuing my final decision.

I should also say here that Miss K told us that she and her child both have health problems, so this situation is particularly difficult and stressful for them,

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've decided to uphold Miss K's complaint. I'll explain why.

Because Northridge supplied the car under a hire purchase agreement, it's responsible for a complaint about the quality, and there's an implied term that the car was of satisfactory quality. Cars are of satisfactory quality if they are of a standard that a reasonable person would expect, taking into account all of the relevant circumstances such as (amongst other things) the age and mileage of the car and the price paid. When considering satisfactory quality, I also need to look at whether the car is durable – that is, the components within the car must be durable and last a reasonable amount of time.

In this case of course, the car was nearly six years old, with a mileage of 49,000 when Miss K acquired it. And the price was lower than that of a new car. So it's reasonable to expect that parts of the car would have suffered a degree of wear and tear, and that a car of this age would likely need repair and maintenance sooner than a newer car.

I've taken account of the relevant law, in particular the Consumer Rights Act 2015, ("CRA"). There are certain times, set out in the CRA, when a consumer is entitled to reject goods, in this case the car, if they don't conform to contract – a short term right to reject within 30 days of taking delivery, or a final right to reject if a repair or replacement hasn't resulted in the car subsequently conforming – that is, it then being of satisfactory quality.

Miss K sent in details of the sequence of events, together with copies of email exchanges with the various parties and the sales documentation and service history for the car. She also provided a copy of the independent inspection report she arranged, at a cost of £288. Northridge sent in copies of the hire purchase agreement and emails with the dealership.

I've carefully considered all of the evidence provided.

The first fault became evident as soon as Miss K got the car in January 2023. I note that the Land Rover garage which inspected the car at this point referred to a new main block being required, although the dealership's information showed an electrical fault being repaired. I don't have any information about these differing explanations of the fault, although I note that the block was replaced during the second repair.

Nonetheless, Miss K was able to drive the car for a few months until the fault reoccurred. At this point more extensive repairs were carried out, although these stopped short of the new engine said to be required when diagnostic tests were carried out at the second Land Rover garage. I note that this Land Rover garage said on its diagnostic report that it believed the lining of the bore in one or more cylinders had worn to excess prematurely and that this fault would take time to develop and would not be sudden failure.

As I noted above, Miss K commissioned an independent inspection report from an organisation which provides expert vehicle inspections. I have a copy of this report, and a copy has been sent to Northridge. The car mileage at the date of the report was 53,539.

The report includes the sequence of events relating to the faults, diagnostics, and repairs which I've set out above, and notes that the inspector was given copies of the two diagnostic reports from the Land Rover garages, and an email from the selling dealership showing details of the second repair.

The report states *"In our opinion, based on the available evidence, we can confirm a fault in the form of the engine displaying excessive blow by"* and goes on to explain this term, and that the issues often relate to the failure of the piston rings.

The report ends by saying that *"We can conclude that on inspection of the vehicle and upon reviewing the information made available, we would advise that the fault with the engine would be the result of an unsuccessful repair."* The report states the parts requiring replacement as *'engine and sundries'*.

Our investigator also carried out her own research as noted in her view. In summary, she said she'd found that cylinders don't suddenly fail after covering the mileage this car has done (49,000 at the point of supply). Reduced cylinder compression is due to worn piston rings and typically piston rings should last for around 100,000 miles. In addition, she found that piston rings should not make contact with the cylinder walls, and therefore, failure of the piston rings can cause oil to escape into the cylinder thus causing the car to breathe excessive oil. So, as the piston rings are worn, even if they were replaced, the new piston rings would not be able to compensate for the grooves/ scrapings already made by the old piston rings.

I have carried out my own online research and I agree with the points made by our investigator.

Taking all this into account, my conclusion is that the car was not of satisfactory quality at the point of supply. I say this for the following reasons. The first fault occurred just after Miss K got the car, and the first Land Rover garage's diagnostic report identified the need for a new main block. (I accept that the first repair, arranged by the selling dealership, identified

an electrical fault, but as I noted above the block was actually replaced during the second repair a few months later). The fault reoccurred within a few months, necessitating much more extensive repairs, and the subsequent independent report concluded that the fault with the engine at *that* point was due to an unsuccessful repair. The faults occurred within the first six months of Miss K acquiring the car, and the parts which have failed ought reasonably to have been expected to have a much longer lifespan. And I've not seen anything to make me think that Miss K has caused or contributed to the faults occurring. So I think it's most likely that the fault was present or developing at the point of supply.

As my conclusion is that that the car wasn't of satisfactory quality at the point of supply, and nor did it conform to contract after the repair, I consider Miss K is entitled to exercise her right to reject it. So I've decided to uphold this complaint.

Although there have been these issues with the car, Miss K has had some use of it, and the email exchange with the dealership shows that she had use of a courtesy car for part of the time, so I don't consider it fair to require Northridge to refund *all* of the monthly payments made under the agreement; rather it should refund those payments made from the point that Miss K was unable to use the car.

However, I do consider it fair to require Northridge to pay an amount of £300 in recognition of the distress and inconvenience caused to Miss K because of the issue with the car.

Putting things right

Northridge should:

- End the agreement with nothing further to pay.
- Collect the car at no further cost to Miss K.
- Refund Miss K's deposit contribution of £ 1,263.52.
- Refund £10,372.49, which is the remaining balance after settling Miss K's previous hire purchase agreement.
- Refund the cost of the independent inspection, this being £288.
- Refund the contractual monthly payments made by Miss K from May 2023 onwards
- Add 8% simple interest* per year to the amounts refunded, calculated from the date each amount was paid to the date the compensation is paid.
- Pay £300 for the inconvenience Miss K has experienced due to the faults with the car.
- Remove any adverse information from Miss K's credit file (if any has been added).

**if Northridge considers that it is required by HM Revenue & Customs to withhold income tax from that interest, it should tell Miss K how much it's taken off. It should also give Miss K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

For the reasons given above, I have decided to uphold Miss K's complaint. N.I.I.B. Group Limited, trading as Northridge Finance should pay Miss K the compensation I've described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 13 December 2023.

Jan Ferrari
Ombudsman