

The complaint

In summary, Miss H complains that a car supplied to her under a hire agreement with ALD Automotive Limited (ALD), had various defects. She doesn't believe the car is of satisfactory quality. Miss H would like to end the agreement early and doesn't believe she should have to pay the early termination fee she has been quoted.

What happened

In July 2022 Miss H took delivery of a new car using a hire agreement with ALD. The term of the hire agreement signed by Miss H was 36 months.

The terms of the hire agreement provided for an advance payment of £311.93, followed by a total of 35 payments for the same amount. The total contracted mileage was 24,000. In February 2023, Miss H began to experience problems with the car, when several warning lights became illuminated. Also, some features of the car including parking sensors and the power steering stopped working. Miss H pulled over and called for breakdown assistance. The breakdown report recorded fault codes and advised that the car be taken to a dealer for further investigation. The car was examined by a technician. The exact issue couldn't be identified but the faults were cleared.

Miss H continued to have problems with warning lights coming on, which resulted in her taking the car into the dealer to be examined. In May 2023 an engine management light came on. After a diagnostic was carried out, it was identified that a software update was needed, which was carried out.

In July 2023 Miss H called for breakdown assistance again. The report she has provided records that she was referred to the dealer and the engine and coolant levels were ok. She took the car to the dealership for inspection, as she heard a noise under the vehicle. Investigations couldn't identify any faults. The information provided by the dealer records the car was inspected in respect of a noise from the passenger side mirror, and the steering wheel feeling stiff in August 2023. A further inspection was unable to identify any issues. Miss H lost confidence in the car and asked ALD how much it would cost to terminate the agreement early. Miss H didn't want to pay the early termination fee and raised her concerns with this service.

One of our investigators looked into Miss H's complaint. Miss H told the investigator that since July no faults had occurred, but she was constantly concerned about it happening again. After completing their review, the investigator explained to Miss H why they didn't think the complaint should be upheld. Miss H didn't agree, so the case has been passed to me for review.

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 done so, I've decided not to uphold Miss H's complaint. I'll explain why. The finance agreement that Miss H entered into with ALD, was a regulated hire agreement. As a result, this service can consider complaints relating to the agreement. And the agreement is a contract to supply goods under the Consumer Rights Act 2015 (CRA). This means that under the provisions of the CRA, ALD is responsible for ensuring the car supplied to Miss H under the hire agreement, was of "*satisfactory quality*."

What does satisfactory quality mean under the CRA?

In summary, goods will be of satisfactory quality if they meet the standard a reasonable person would consider satisfactory, considering the description of the goods, the price paid and other relevant circumstances, such as whether the goods are new or second hand and in relation to Miss H's car, the mileage of the car. This isn't an exhaustive list of relevant issues. And under section 19(14) of the CRA there is a rebuttable presumption that faults which mean goods would not be of satisfactory quality, and which occur within six months of delivery, are taken to be present on delivery.

In this case, if Miss H's car wasn't considered to be of satisfactory quality, her potential remedies under the CRA, could include the right to repair or replacement of the car, rejection of the car and the ending of the hire agreement.

The condition of Miss H's car at the point of sale

The car supplied to Miss H under the hire agreement was new. So, it's not unreasonable to expect a new car to have a higher level of quality than a second hand or used car.

Were there faults with Miss H's car, and if there were, was the car of satisfactory quality?

It's not in dispute that fault lights first appeared on Miss H's car approximately seven months after she took delivery of it. These were recorded in the diagnostic carried out by the vehicle breakdown agent Miss H called. And the records provided by the dealer, record that a diagnostic was carried out in May 2023. This indicated fault codes and several sporadic faults. A software update was carried out which appeared to rectify the issue. And the information provided by ALD from the dealer also indicates that a further inspection was carried out in July 2023. It said that several sporadic faults were stored within the vehicle. And the photo Miss H took off her dashboard that day, does show various warning lights. Miss H has also said a fault light appeared in October 2023.

The dealer said that on both occasions it worked through each individual fault, checking wiring and control units. After checking and testing the vehicle it said everything appeared to be ok. It seems to me that there has been something wrong with the car, but the nature of it hasn't been fully identified. And it appears from what Miss H has said, that other than a fault light showing in October, that no faults had occurred since July. And I'm not persuaded that there is sufficient evidence, including what Miss H has said, that persuades me that the issues weren't essentially fixed by the dealer in July 2023. Although Miss H has said there have been issues since then, there isn't enough evidence of those, that persuades me the issues are continuing.

I am satisfied from the evidence I have been provided with, that fault codes were identified when diagnostic tests were carried out on the car. And they were indicative of a problem of some kind. But the reason fault codes can occur, might not be related to an actual fault with the car. For example, fault codes, and warning lights, can appear when a car's battery isn't charged, but it doesn't necessarily mean that the components to which the fault codes relate are actually faulty.

As I've said, the records provided by the dealer, state that each fault identified from the diagnostic was worked through, and each individual fault was checked, which involved checking the wiring and control units. All was recorded as being ok. I accept that there is evidence that there were problems with the car supported by the fault lights coming on and from the diagnostics carried out. But, as I've said above, it appears from what Miss H has said that the updates carried out by the dealer seem to have largely resolved the fault lights coming on and the issues Miss H has referred to recurring.

So, from the information I have there isn't any confirmation that faults were identified when the fault codes were investigated. And the reports provided by the breakdown recovery provider don't record any faults either. As a result, based on the evidence provided to me, I can't reasonably conclude that faults have been identified with the car, or that the problems Miss H has had haven't now been resolved.

Is the car of satisfactory quality?

I do understand and empathise from what Miss H has told us, that the issues she has experienced with her car has had a great impact on her. And whilst there is evidence of problems with the car which indicate it might not have been of satisfactory quality, there's not enough evidence that these issues weren't fixed by the time Miss H contacted ALD. Consequently, I don't think ALD needs to do anything further.

My final decision

For the reasons I have explained, my decision is not to uphold Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 4 October 2024.

Simon Dibble
Ombudsman