

The complaint

Mr S has complained that he is unhappy with the quality of a car he acquired in March 2022, using a consumer hire agreement with LeasePlan UK Limited ("LeasePlan").

What happened

Mr S acquired a new Audi, using a consumer hire agreement with LeasePlan. The agreement was dated in October 2021, but Mr S didn't actually take delivery of the car until March 2022. The agreement had a minimum term of 48 months, and Mr S paid an initial rental of £2,612.63 followed by monthly payments of £290.29. The annual mileage stated in the agreement was 8,000, with additional charges if Mr S exceeded that limit. The monthly rental cost would continue at the same rate if Mr S extended the term.

Mr S told us that he started to have problems with the car in June 2022, when there were issues with unlocking the car. In August 2022, numerous electrical faults showed on the dashboard and the car wouldn't start. In March 2023, the car failed to charge, and similar electrical faults reoccurred. When taken to a garage the car couldn't be unlocked, and there were delays in Mr S receiving a courtesy car. In April 2023, the car again would not start, and new electrical faults showed on the dashboard. Shortly afterwards, the digital displays and the whole entertainment system shut down, meaning that Mr S couldn't tell what speed he was travelling at on a motorway. There were further, similar issues in July, September, and October 2023, and on the last occasion the roadside assistance technician told Mr S that the car had gone into 'crash mode'; and that the car battery had a temperature reading of 220 degrees.

Mr S further said that, whilst on some occasions the faults seemed to resolve themselves, he needed roadside assistance on four occasions. The car was also taken to an Audi garage four times for repairs, but Mr S said that on each occasion the garage could not identify a fault, and simply reset the car's systems. On the last of these four visits, Mr S went to collect the car and on the garage forecourt faults showed up again, in terms of a number of warning lights and a warning message ordering him not to drive the vehicle and to stay under 3000 rpm.

Mr S complained to LeasePlan, saying he wanted to reject the car. In December 2023 it agreed it would cover the cost of early termination of the contract rather than treat this as a rejection of the car. The car had remained in the garage for repairs, and was not returned to Mr S – it appears it was later sold at auction. LeasePlan also said it would make a contribution of £120 towards insurance costs for the period when Mr S didn't have use of the car, which I can see has been paid.

Mr S was unhappy with this, in that he felt he should be compensated further – for example, a refund of the monthly payments due under the contract and also for the loss of his earnings for the periods when he was without a car, or the car had broken down. He also said he incurred extra petrol costs – the Audi was a hybrid where he mainly used electric rather than petrol, but the courtesy cars were petrol-only. So he brought his complaint to this service.

Our investigator looked into it and thought it should be upheld, and further compensation paid to Mr S. LeasePlan didn't agree, so the complaint has come 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.

I've decided to uphold Mr S's complaint. I'll explain why.

Because LeasePlan supplied the car under a consumer hire 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 new, and I think any reasonable person would expect it to be free of any faults or defects, and durable.

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.

Mr S sent in copies of the finance agreement, his email exchanges with LeasePlan, job sheets for the various visits to the Audi garage and breakdown reports. Mr S's information was very detailed, with a lengthy description of the sequence of events. LeasePlan didn't initially provide much information, but after our investigator issued his view, it sent in its records of the complaint and its contact with the various parties involved, including Audi.

The agreement has now ended, and the car taken back. And LeasePlan has covered the cost of early termination. So the key issue here is whether LeasePlan has acted fairly in dealing with Mr S's complaint.

I can see that Mr S wanted to reject the car, but LeasePlan didn't agree to do this. It told us that a vehicle rejection would be relevant if the faults were identified by diagnostics within the first three months of the vehicle being delivered. Its records showed that when the vehicle was booked into the garage no faults were identified at first. LeasePlan also said that Mr S didn't report the issues to it until November 2023, and the only previous contact was in May 2023 when Mr S requested an early termination quote. It went to say that the garage confirmed, looking at the evidence provided by the customer and main dealer, that no previous faults were identified with the vehicle. The information from LeasePlan shows that the car eventually went to an Audi battery centre and a fault was found with the hybrid battery, which had to be replaced.

I've carefully considered all of the information provided by both parties, and it seems to me most likely that the car was not of satisfactory quality at the point of supply, and therefore Mr S should've been able to reject the car. I say this for the following reasons.

I accept the car cannot now be independently inspected. But this was a new, premium car and, as I noted above, I think any reasonable person would expect it to be free of any faults or defects, and durable. The issues with the car started when Mr S had had the car for only

three months, and as evidenced from the breakdown reports and job sheets Mr S provided, which support his detailed account of events, there were repeat occurrences of similar faults over the next 18 months. The car was taken into the Audi garage on four occasions, but it could not diagnose the source of the problem, and as far as I can see, the systems were simply reset. But there is evidence that faults recurred at the garage when Mr S went to collect the car in November 2023, so the mechanic was able to observe the problems. And the fault was eventually diagnosed at the Audi battery centre.

I accept it may have been helpful had Mr S contacted LeasePlan at an earlier stage. But this does not affect my decision, as there is clear evidence of the breakdowns and visits to the Audi garage to attempt to diagnose the problem.

I've not seen anything to make me think that Mr S has caused or contributed to the faults occurring. And given that the problems with the car were similar on each occasion, starting three months after Mr S acquired the car, it seems most likely that the faults were present at the point of supply. So taking all this into account, I'm not satisfied that the car was of satisfactory quality, or that it conformed to contract after the attempted repairs, and therefore I think Mr S was entitled to reject it. So I've decided to uphold his complaint.

I think it fair for LeasePlan to refund the initial rental cost Mr S paid. Mr S has had use of the car, and the use of a courtesy car, so I can't fairly say that LeasePlan should refund *all* of the monthly payments. But I consider that Mr S's use has been impaired by the repeated faults (and I can see from the job sheets that the mileage as at November 2023 was 11,876. Mr S had had the car for a year and nine months by then, and he had expected to travel around 8,000 miles per year). So I think it fair for LeasePlan to refund 20% of the monthly payments to reflect this impaired use. Mr S said he incurred additional fuel costs because of the courtesy cars being petrol-based rather than electric or hybrid, so I also think it fair that LeasePlan should refund these extra costs on production of the relevant receipts by Mr S.

I also think it would be fair to require LeasePlan to pay Mr R an amount of £200 to reflect the distress and inconvenience all this has caused him. I can see from the evidence provided that Mr S has experienced a number of delays in trying to resolve the issues with the car.

Putting things right

LeasePlan should:

- Refund Mr S's initial rental payment of £2,612.63.
- Refund 20% of the monthly payments Mr S made under the contract to reflect the impaired use of the car.
- Refund the cost of fuel used in the courtesy cars, on production of receipts.
- Pay Mr S an amount of £200 in recognition of the distress and inconvenience caused.
- Pay 8% simple yearly interest on all refunded amounts from the date Mr S paid them to the date of settlement.
- Remove any adverse information from Mr S's credit file (if any has been added) in relation to this agreement.

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

My final decision

For the reasons given above, I have decided to uphold Mr S's complaint and to require LeasePlan UK Limited to compensate him as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 January 2025.

Jan Ferrari
Ombudsman