

The complaint

Mrs R complains about the quality of a used car she acquired through a hire purchase agreement financed by N.I.I.B. Group Limited trading as Northridge Finance (Northridge).

What happened

In March 2023 Mrs R acquired a used car from a dealership through a hire purchase agreement with Northridge. The car cost approximately £34,300, it was first registered in March 2018 and had done about 29,000 miles when provided to Mrs R.

Mrs R had to wait two weeks to collect the car while work due to a safety recall and pre-sale inspection was completed. A day after Mrs R collected the car the engine management light (EML) came on. She took the car to the dealership whose job sheet stated there was an engine fault and the particulate matter filter was on order.

On 7 April 2023 the car's EML came on again so Mrs R took the car to the dealership whose job sheet says the particulate matter filter was replaced. When the car was returned two days later the service light came on and Mrs R was concerned that the service hadn't been completed. The dealership told her the service light hadn't been reset.

On 29 April 2023 the car's EML came on again. Mrs R says she spoke to the dealership about either rejecting the car, exchanging the car or having it repaired by the manufacturing garage. Mrs R says as the dealership didn't have a similar replacement for the car she decided to have the car repaired with the manufacturing garage, which didn't happen until 28 June 2023.

On 26 September 2023 the EML came on again. Mrs R says she told the dealership she wanted to reject the car. The dealership told her it wanted to look at the car and the earliest that could happen was 31 October 2023.

Mrs R took advice from Citizens Advice and on 23 October 2023 she sent a complaint letter to Northridge saying because of the problems with the car she wanted to reject the car and receive a refund of what she'd paid.

Northridge said the dealership had told Mrs R it wanted the car inspected by itself, the manufacturing garage who had done the previous repair on its behalf or to have a professional inspection to see if the new fault was related to the previous repair. The dealership had arranged an appointment to look at the car on 31 October 2023 but Mrs R didn't attend.

Mrs R said she didn't attend because the dealership had offered to collect the car but withdrew the offer the day before it was due to collect. She'd been unable to take the car to the dealership due to her child being unwell. Mrs R told us she hasn't used the car since she complained in September 2023 as she doesn't feel safe in the car with the EML displaying.

As part of our investigation Mrs R sent us photo evidence of the mileage on her car and the EML displaying on the car's dashboard, which our Investigator sent to Northridge.

Our Investigator said it was reasonable for Mrs R to reject the car. She recommended that Northridge: end the finance agreement; collect the car at no cost to Mrs R; refund Mrs R's deposit/part exchange contribution of £55.60 and all the finance arrangement payments from September 2023 to the date of settlement plus interest; pay Mrs R £250 for her distress and inconvenience.

Mrs R accepted the recommendation. She added that she'd part exchanged her previous car, which was in positive equity, she'd received £1,000 and the rest went towards the deposit of this car. Our Investigator said the finance agreement showed a part exchange contribution of £55.60 so Mrs R would need to speak to the dealership about having any balance from the part exchange refunded.

Northridge said it agreed 'in theory' with our Investigator's recommendation but wanted to get the dealership's comments as the dealership would need to support Northridge with the cost of the car's return.

At the time of making my decision we haven't heard further from Northridge and Mrs R has asked 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.

Although Northridge has told us that it agreed our Investigator's recommendation its response was subject to getting the dealership's comments. As Northridge has been waiting several months for the dealership's comments I think it's reasonable of me to make a final decision on the evidence I have. The finance agreement in this case is a regulated hire purchase agreement. Northridge as the supplier of the goods under this type of agreement is responsible for a complaint about Mrs R's car's quality and implementing any requirements set out in my final decision.

In considering what's fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time.

The Consumer Rights Act 2015 (CRA) is relevant to this complaint. It says that under a contract to supply goods, there is an implied term that "the quality of the goods is satisfactory". To be considered "satisfactory", the goods would need to meet the standard that a reasonable person would consider satisfactory – taking into account any description of the goods, the price and all the other relevant circumstances. It seems likely that in a case involving a car, the other relevant circumstances a court would take into account might include things like the age and mileage at the time of sale and the car's history.

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

Given what Northridge has said it doesn't appear to dispute that there's a fault with the car and it hasn't disputed that the car isn't of satisfactory quality. For the avoidance of doubt, I think the car supplied to Mrs R isn't of satisfactory quality. I'll explain why.

Northridge supplied Mrs R with a car that was around five years old with mileage of 29,249. The price of the car was lower than it would have been if it had been supplied new. But the mileage was relatively low for a five year old car and I think the amount Mrs R paid for the

car reflected the car's low mileage. Although the car wasn't new, given the low mileage I think there was more reasonable expectations that the vehicle should be of a high quality and standard.

The car's EML displayed just after Mrs R picked up the car in March 2023 and again at the beginning and end of April 2023. In April and June 2023 the dealership and then a garage, on the dealership's behalf, tried to repair the fault causing the EML to display.

Mrs R sent us a photo in March 2024 to show that the EML was again displaying and given all the evidence I've no reason to doubt that the EML has been showing since September 2023 when Mrs R told the dealership that she wanted to reject the car. I think that as there's a fault or faults with the car making the EML display four times in six months the car wasn't of a satisfactory quality when it was supplied.

Northridge said the dealership wanted to have an inspection of the car to see if the EML display was indicating a different fault to one it understood had been repaired. But there has already been one repair so irrespective of whether it was the same or different fault I think Mrs R could fairly use her right to reject the car in September 2023. She told Northridge in her complaint letter of 23 October 2023 that she wanted to reject the car and I think it should have accepted her rejection.

I've considered what remedies there are in the CRA and what would be fair and reasonable in the particular circumstances of Mrs R's complaint. I think Northridge must do the following to put things right.

Northridge must end the finance agreement with nothing further for Mrs R to pay and collect the car at no cost to her.

Mrs R says she hasn't used the car since September 2023 as she got the car as a family car for her new born child but no longer feels safe driving the car with the EML still showing. Northridge hasn't disputed, and I accept, that Mrs R hasn't used the car since September 2023. As I think Mrs R reasonably stopped using the car at that point I think it's fair for Northridge to refund the monthly £550.85 finance agreement payment Mrs R made from September 2023 to the date of settlement, plus interest as detailed below.

Northridge must refund to Mrs R the part exchange value from her previous car. The finance agreement says the 'part exchange' amount was £55.60. I've seen the paperwork in relation to the part exchange that Mrs R provided. If she received £1,000 from the part exchange and put the rest as a deposit towards this car then the £55.60 stated in the finance agreement is correct. I can only require Northridge to refund the part exchange amount in the finance agreement so it must refund £55.60 plus interest as I've detailed below.

Northridge must pay Mrs R £250 compensation for her distress and inconvenience caused by the car not being of satisfactory quality. Our Investigator's view referred to different figures for compensation, £200 and £250. I think £250 is the reasonable amount.

I understand that Mrs R has continued to pay the monthly finance agreement payments to Northridge so there shouldn't be any adverse information on her credit file in relation to the finance agreement. But if she stopped payments then Northridge must remove any adverse information from her credit file in relation to the agreement.

My final decision

I uphold this complaint and require N.I.I.B. Group Limited trading as Northridge Finance to:

- End the finance agreement with nothing further for Mrs R to pay;
- Collect the car at no further cost to Mrs R;
- Refund to Mrs R the deposit/part exchange contribution of £55.60;
- Refund to Mrs R all payments made under the finance agreement from September 2023 to the date of settlement;
- Pay 8% simple yearly interest* on all refunded amounts from the date of Mrs R's payments until the date of settlement;
- Pay Mrs R £250 compensation for the inconvenience and distress this situation has caused her;
- Remove any adverse information from Mrs R's credit file in relation to the finance agreement (if any).

*If N.I.I.B. Group Limited trading as Northridge Finance considers that it's required by HM Revenue & Customs to take off income tax from that interest it should tell Mrs R how much it's taken off. It should also give Mrs R a certificate showing this if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 30 August 2024.

Nicola Sisk
Ombudsman