

The complaint

Miss D complains about the quality of a used car she acquired through a hire purchase agreement with N.I.I.B. Group Limited trading as Northridge Finance ('Northridge'). Miss D says the car developed a fault with the gearbox a relatively short time after she acquired it and so it wasn't of satisfactory quality.

What happened

Miss D's complaint is about the quality of a car she acquired in September 2023. The car was used, and it was first registered in December 2020. So, it was just under three years old when Miss D received it. It had covered 32,003 miles.

Miss D acquired the car using a hire purchase agreement which was also started in September 2023. The vehicle had a retail price of £24,480. Miss D was paid £7,500 for a part exchange and she paid a £1,250 deposit. I haven't seen the full finance agreement. But I understand it was to be repaid through 60 monthly instalments of £327.31.

Below is a summary of the issues complained about by Miss D and the investigation and repair work that has been carried out by the dealership, alongside what has happened in respect of the complaint.

Miss D says that when she acquired the car, she noticed third gear was difficult to engage and there was a grinding noise when she did this. And this was becoming more frequent over time. She told the dealership about this in November 2023. I've seen some of the correspondence between Miss D and the dealership(s) that have been involved in the car repair.

The car was looked at by a garage in December 2023. The information from this garage confirmed that the car had a 'major fault' with the gearbox. The gearbox would need to be removed and then repaired. Miss D was advised not to drive the car.

The car was booked to be repaired in January 2024. I can see that Miss D wasn't provided with an alternative means of transport until 17 December 2023. I understand she had been advised not to drive the car on the 5 December 2023.

It seems reasonable to say that the repair was delayed due to the availability of parts or a tool. Whilst the dealership did keep Miss D informed about this the car wasn't repaired until 12 March 2024. Miss D says she returned the courtesy car on 14 March 2024 and collected the car on 22 March 2024.

Miss D says that within a day after driving the car again she noticed engine management and warning lights ('EML') were intermittently present on the car's dashboard. These seem to concern the car's electrical systems and 'the emergency SOS service'. Again, I've seen some of the correspondence that Miss D has provided about this between her and the dealership, but as far as I can see, it hasn't been resolved.

In January 2024 Miss D complained to Northridge, and the dealership, about the quality of the car and the affect this has had on her. She said that she wanted to reject the car due to the problems she has had with it and the length of time it was taking to repair it.

The dealership has responded to this complaint, and it has said that the car was checked before delivery and no gearbox problems were present. And as these problems didn't manifest within the first 30 days it's unlikely they were present at the time of sale.

But Northridge hasn't fully considered this complaint. It did say that it would look into the issues Miss D had raised but it doesn't seem to have done this. As she didn't receive a meaningful response from Northridge, Miss D has brought her complaint to the Financial Ombudsman Service.

Northridge hasn't provided its business file to the Financial Ombudsman Service. That said, Miss D has provided enough information to allow me to fairly decide this complaint.

Our Investigator has upheld Miss D's complaint. She said that it was likely that the car was faulty when it was sold to Miss D. This is because she only had it a short time, and she hadn't driven it very far, before the gearbox had a significant problem. And the car took too long to be repaired. She thought that Northridge should have allowed her to reject the car.

Northridge didn't respond to the Investigators opinion and as far as I can see it hasn't taken any further action to resolve this complaint. And Miss D has provided some further evidence that the EML's are still present.

Because agreement hasn't been reached, this matter has been passed to me to make a final 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.

In considering what is 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 was good industry practice at the relevant time.

The agreement in this case is a regulated hire purchase agreement – so we can consider a complaint relating to it. Northridge as the supplier of the goods under this type of agreement is responsible for a complaint about their quality.

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. So, 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 CRA 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.

This car was about three years old when Miss D acquired it and it had travelled around 32,000 miles. I think a reasonable person would accept that such a vehicle would probably have some parts that are worn and would need replacing sooner or later – which is reflected in the lower price paid in comparison to a new vehicle.

But there's also a reasonable expectation that a vehicle will be relatively durable - taking into account its age, price and mileage at the outset. So even though the vehicle wasn't new Miss D should have been able to use it for a significant period before it needed major repairs. Given its age and mileage.

Was there a fault with the car

It's been established that the car had a significant fault with the gearbox. Miss D noticed when she acquired the car it wasn't changing gear as it should. When this worsened, she contacted the dealership about this. The dealership confirmed the gearbox was faulty and it did need a repair. I've seen all the correspondence about this and the invoices and job sheets for the repair.

And Miss D has provided information that shows the car still has intermittent warning lights and has done so since it was returned to her following the repair.

Northridge hasn't disagreed the car has these faults.

Was the car of satisfactory quality bearing in mind the fault

I can see the dealership thinks that these faults happened too far on from the point of supply for them to have been present when the car was supplied, that is after 30 days. But I need to consider whether the car was durable. If parts or systems of the car fail prematurely, this might indicate there was already a problem with the car when it was supplied.

It's firstly worth noting that under the CRA any faults that are present within the first six months are assumed to have been present at the time of sale, rather than the 30 days that the dealership has relied on.

Added to this a gearbox is a significant component, and I would have expected it to last close to the expected life of the car. But this car was relatively new, and it hadn't been driven very far, when the gearbox developed a fault. I don't think this was due to wear and tear and I think the fault was premature. And Northridge hasn't said it disagrees with this.

Overall, I don't think the car was durable when it was sold and so I don't think it was of satisfactory quality. So, I've thought about what should have been done to put this right.

Miss D agreed that the car could be repaired. I don't think this was an unreasonable starting point. But Section 32 of the CRA says that:

*'If the consumer requires the trader to repair or replace the goods, the trader must –
(a) do so within a reasonable time and without significant inconvenience to the consumer'*

I think it's reasonable to say that it took far too long to repair the car. I haven't been provided with all the detail as to why the car took so long to be returned to Miss D, but it seems to have been due to the availability of parts. I think four months is longer than what is fair, given the amount that Miss D was paying to Northridge each month. Northridge should have offered more suitable alternatives, such as a rejection of the vehicle.

And Miss D has outlined that not having the car for a period caused her problems in that she needed to borrow a relative's car at times to get to work and she needed to arrange insurance and so on for this. Miss D has said she was offered very little help, and this made her anxious. She feels that no one has taken responsibility for the faults. So, I think she has also been caused inconvenience by this.

And added to this, and although it doesn't affect my findings, it's worth noting that Section 24 of the CRA says that:

'A consumer who has the right to a price reduction and the final right to reject may only exercise one (not both), and may only do so in one of these situations - after one repair or one replacement, the goods do not conform to the contract;'

The CRA doesn't say that there is one repair for each issue. It is one repair overall. Given that I've seen evidence of the car displaying EML's I think it's likely the car needs a second repair to enable the car to conform to the contract.

So, overall, I think Miss D does have the right to reject the car. And the finance agreement should be unwound.

Miss D wasn't able to use the car from 5 December 2024 to 14 March 2024. But she had use of a courtesy car from 17 December 2024 to 14 March 2024. So, Miss D should get a refund for the payments she has made between 5 December 2024 to 17 December 2024. She has been able to use the car at other times and so she should have paid the other repayments she made.

I've outlined above how this affected Miss D and she also would have been inconvenienced on several occasions by having to take the car to the garage. She was kept mobile in a courtesy car for most of the time of the repair. But ultimately that wasn't the car she was paying for. What's more, it seems her car was with the dealership for almost four months while it was repaired, and Miss D did need to contact it frequently for updates. So, I think the £200 suggested by our investigator for the distress and inconvenience she experienced is fair.

Putting things right

Having thought about everything above along with what is fair and reasonable in the circumstances I uphold this complaint and direct Northridge Finance to:

- End the agreement with nothing further to pay.
- Refund Miss D's deposit (and part exchange money).
- Collect the car (if this has not been done already) at no further cost to her.
- Pay a proportionate refund of the finance payments between 5 December 2024 to 17 December 2024.
- Pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement.
- Pay £200 for any distress or inconvenience that's been caused.
- Remove any adverse information from Miss D's credit file in relation to the agreement.

If Northridge considers that it's required by HM Revenue & Customs to withhold income tax from the interest part of my award, it should tell Miss D how much it's taken off. It should also give Miss D 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 I've explained, I uphold Miss D's complaint.

N.I.I.B. Group Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 13 March 2025.

Andy Burlinson
Ombudsman