

The complaint

Mrs O complains about the quality of a new car that was supplied through a hire purchase agreement with Honda Finance Europe Plc (Honda).

What happened

In April 2022, Mrs O acquired a new car through a hire purchase agreement with Honda. The cash price of the car was £31,434.01. A deposit of £8,701 was paid, so the total amount financed on the agreement was £22,733.01 payable over 47 monthly repayments of £273.67 followed by a final repayment of £13,402.41 if Mrs O chose to purchase the car.

Mrs O complained that the car's battery failed in July 2022 and again in December 2022 where she was told it was a known software issue. Mrs O said after a period of there being no issues, the battery failed again in June 2023. Mrs O said she had to have the car recovered and go four days without a courtesy vehicle.

In October 2023 Honda issued their final response to Mrs O's complaint. In summary, Honda said the supplying dealership advised the issue was addressed on two occasions in December 2022 and again in June 2023 where they advised there were no issues outstanding. As a result, Honda didn't uphold the complaint.

Unhappy with their decision, in November 2023 Mrs O brought her complaint to our service where it was passed to an investigator for investigation. In January 2024, Mrs O said she decided the uncertainty was too much and opted to trade her car for a newer one. She added that she wanted to receive compensation for the impact this situation has had on her personal life and job.

Mrs O provided breakdown recovery reports dated July 2022 and December 2022 where the reason given for recovery was battery failure.

Having reviewed all the information on file the Investigator recommended that Mrs O's complaint should be upheld. The Investigator concluded that given the car was brand new, they didn't think it was reasonable that it should have experienced the issues with the battery as soon as it did. The Investigator recommended that Honda should pay Mrs O £250 in compensation for the inconvenience caused.

Honda accepted this recommendation. However, Mrs O didn't. She didn't think £250 was sufficient for the impact the situation had on her. However, as the Investigator's view remained unchanged, Mrs O asked that her complaint be referred to an ombudsman for 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've thought about all the evidence and information provided afresh and 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.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mrs O complains about a vehicle supplied through a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Mrs O's complaint about Honda. Honda is also the supplier of the goods under this agreement, and is responsible for a complaint about its quality.

The Consumer Rights Act 2015 (CRA) is relevant in this case. It says that under a contract to supply goods, there is an implied term that "*the quality of the goods is satisfactory, fit for purpose and as described*". To be considered as satisfactory, the CRA says the goods need to meet the standard that a reasonable person would consider satisfactory, considering any description of the goods, the price and all the other relevant circumstances. The CRA also explains the durability of goods is part of satisfactory quality.

So, it seems likely that in a case involving a car, the other relevant circumstances a court would consider might include things like the age and mileage at the time of sale and the vehicle's history.

Here, the car was acquired new, with a cash price of around £31,434 and with zero miles. So, I think it's fair to say that a reasonable person would expect the level of quality to be superior than a used and more road-worn car and that it could be used – free from defects – for a considerable period of time

From the information provided I'm satisfied there was an issue with the car's battery. This is apparent from the vehicle recovery reports from July 2022, December 2022 and June 2023 which all show the cause for recovery being battery related. Honda has also confirmed the issues and repairs carried out in their file submission. Having considered the car's battery had a fault, I've considered whether it was of satisfactory quality at the time of supply.

In February 2024, the Investigator concluded in their assessment, that the car wasn't of satisfactory quality due to the issues with the battery presenting itself so soon in the car's life. Honda accepted the Investigator's findings. So, in this instance I've considered that neither party disputes that the car wasn't of satisfactory quality when it was supplied to Mrs O. And having considered the evidence provided I'm of the same opinion and for the same reasons as the Investigator.

However, as neither party disputes the car wasn't of satisfactory quality when it was supplied, it seems to me the main consideration here is what Honda should do to put things right, particularly as Mrs O is no longer in possession of the car.

Mrs O emailed the Investigator in February 2024 to explain further why she wanted her complaint to be referred to an ombudsman. In summary Mrs O said she wanted the ombudsman to consider:

- Honda's negligence in their handling of her complaint

- The additional cost of purchasing a new car as she initially had no intention of doing so

So, in reaching my decision I've thought about the further information Mrs O has shared when deciding what I think is the fairest resolution of her complaint.

Mrs O has raised concerns about the way in which Honda have handled the complaint against them. Complaint handling isn't a regulated activity in its own right. Nor is it one of the specified non-regulated activities that I'm able to deal with under our compulsory jurisdiction (DISP Rule 2.3.1R). And so, I'm unable to look into the specifics of this. My focus in this decision is on the underlying financial service being complained about, which is related to the quality of the goods supplied under the hire purchase agreement.

In an earlier email to the Investigator, Mrs O described the impact the situation has had on her and her family, as she said that was the main reason she chose the type of car she did. Mrs O also highlighted the additional costs incurred by her purchasing a newer vehicle due to the issues she experienced.

I've thought about all what Mrs O has said, and in relation to the additional costs involved in acquiring a new car, I don't think it'd be reasonable to ask Honda to absorb any of those costs.

I acknowledge Honda initially didn't uphold Mrs O's complaint however I don't think Mrs O's only option was to purchase another vehicle; I'm satisfied Mrs O decided to do so under the understanding that her complaint was still being considered by our service. I recognise Mrs O said she didn't want to run the risk of further issues, but I'm not persuaded that this was something she had to do in the circumstances. For example, it's likely an independent inspection report may have considered the battery wasn't suitably durable meaning Honda would have likely put things right for her.

So, I think the additional costs involved in acquiring a different car were costs that I'm persuaded Mrs O would have been aware of before agreeing to trade in her existing car.

However, I acknowledge that the situation would have been difficult for Mrs O considering the impact in transporting her family. Mrs O said she had to spend around four days without the use of a car. I haven't seen any evidence to confirm this, for example through confirmation of dates from the repairing dealership, from Honda or have seen any further details about this from Mrs O, so I can't be certain of specific dates, and I'm not persuaded that Mrs O incurred any additional costs as a result.

Having said that, I'm in agreement with the Investigator that £250 is fair in the circumstances to recognise the impact this situation has had on Mrs O, and I've seen no reason to consider that Mrs O should be awarded any more.

My final decision

My final decision is that I uphold Mrs O's complaint about Honda Finance Europe Plc and instruct them to:

- Pay Mrs O £250 compensation for the distress and inconvenience caused because of the faulty goods

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 13 December 2024.

Benjamin John
Ombudsman