



The complaint

Mr O complains about the quality of a car he acquired under a conditional sale agreement with Volvo Car Financial Services UK Limited (VCFS).

When I refer to what Mr O and VCFS said or did, it should also be taken to include things said or done on their behalf.

What happened

In March 2024, Mr O entered into a conditional sale agreement with VCFS to acquire a new car. The total cash price of the car was approximately £46,500. There was an advance payment of £5,500. The total amount payable was around £50,101.98. There were 48 consecutive monthly payments each of £506.20 starting 1 month after the date of the agreement followed by 1 payment of £20,304.38 payable 49 months after the date of the agreement.

Within days of acquiring the car Mr O had issues with a knocking noise under the car. On several occasions the car needed to go in for attempted repairs by the supplying dealership/broker, as there was confusion as to what may be wrong, then the correct tool was not available, and when it was finally fixed other problems with the suspension emerged. Mr O said VCFS accept that the car was faulty, but the repayment of all funds has become confusing. He thinks he should be entitled to his original advance payment and a refund of his finance payments. He said in July 2024 he received £300 payment from VCFS as compensation but has still not received any other payment from them.

Mr O said that the supplying dealership/broker were trying to sell him another car for a seamless transition, but this has not happened due to delays, and he has been forced to arrange additional finances as he had no deposit for a new car. He feels he should be entitled to all of his advance payments, not reduced by a 45p per mile charge. He said the process has been horrendous and very stressful.

In June 2024, VCFS wrote to Mr O and said they would like to apologise for the issues he had with the car and for any inconvenience this matter has caused him. They said they arranged an engineer to carry out an independent inspection. And that the supplying dealer attempted to repair the car multiple times and has been unsuccessful. So, they said Mr O can reject the car under the Consumer Rights Act 2015, unwinding his finance agreement. Also, they said, that they will amend his credit file to reflect the unwinding of the agreement. Any payments made will be returned and they agreed to pay Mr O £300 for any distress and inconvenience caused. They said the supplying dealership/broker will be charging 45 pence per mile which will be taken from his deposit of £5,500. And as Mr O is getting another car with the supplying dealership/broker, they said the funds are being transferred across, so he should contact the dealer for further information.

Mr O remained unhappy with the above, so he referred his complaint to the Financial Ombudsman Service (Financial Ombudsman).

Our investigator looked at the complaint and upheld it. The investigator was of the opinion that VCFS should end the finance agreement with nothing further to pay, pay Mr O a refund of 35% of any monthly rentals from 7 March 2023 to 10 July 2024 to cover any loss of use, or impaired use, of the car because of the inherent quality issues. The investigator also thought VCFS should pay Mr O an additional £150 for the further distress and inconvenience caused. In addition, pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement and remove any adverse information from Mr O's credit file in relation to the agreement.

VCFS disagreed with the investigator. So, the complaint has been passed to me to decide.

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.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered good industry practice at the relevant time. Mr O acquired the car under a conditional sale agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. VCFS is the supplier of goods under this type of agreement and is responsible for dealing with complaints about their quality.

I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr O entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. The CRA says that goods will be considered of satisfactory quality where they meet the standard that a reasonable person would consider satisfactory – taking into account the description of the goods, the price paid, and other relevant circumstances. I think in this case those relevant circumstances include, but are not limited to, the age and mileage of the car and the cash price. The CRA says the quality of the goods includes their general state and condition, as well as other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.

In Mr O's case the car was brand new, with a cash price of approximately £46,500. Given that the car was new and considering the price paid, I think it's fair to say that a reasonable person would expect it to be of a higher quality than a cheaper and/or previously used car. I think it would also be reasonable to expect the car to last a considerable period of time before any problems occurred, and it would be reasonable to expect it to be free from even minor defects shortly after it was acquired.

VCFS is not disputing that the car had faults that rendered it of unsatisfactory quality, so they accepted that Mr O could exercise his right to reject the car. Bearing this in mind, I do not think I have to go into great detail in making a finding on whether the car was of satisfactory quality. However, for completeness, I will say that given the age, mileage of the car, and the

price paid, combined with how quickly Mr O raised the issues, I think most likely, the car was of unsatisfactory quality when it was supplied to Mr O. This has also been confirmed by the independent inspection which indicated that the faults were present or developing at the point of supply. So, I think most likely, the car was of unsatisfactory quality when supplied to Mr O and, as the repairs had failed, I think it was only fair and reasonable that he was able to exercise his right to reject the car. But now there still remains a question of how the redress following the car having been rejected should be settled.

Under the credit agreement there is an advance payment of £5,500. Mr O has said that £4,500 was deposit paid by him and that the other £1,000 was equity he had from his trade in car. VCFS has not disputed this or provided any evidence otherwise, so on balance I think the total deposit that came from Mr O is £5,500. VCFS should refund Mr O's advance payment of £5,500, if this has not been done yet by them or the supplying dealership/broker. I know VCFS feels that this should be done by the supplying dealership/broker. It maybe that they will be claiming this deposit back from the supplying dealership/broker, but VCFS are the supplier of the car under the conditional sale agreement in question, so it is VCFS that is responsible for the quality of the car. Therefore, VCFS are responsible for refunding Mr O the advance payment he has made. And this should be done without any unreasonable delays or significant inconvenience to Mr O.

Any adverse information should be removed from Mr O's credit file. The credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as voluntary termination.

VCFS believes that it is fair that Mr O is charged for car usage at 45 pence per mile, based on the fact that the car had covered around 3,258 miles. But considering that Mr O was provided with an unsatisfactory quality car, I do not think this would be fair and reasonable. Mr O has been able to use the car and it does appear that the car has been used broadly in line with the original expectations, considering the 12,000 mile annual mileage limit on the conditional sale agreement. So, I think it is fair and reasonable for VCFS to keep three payments that were made during nearly three months that Mr O had use of the car. However, driving the car with suspension constantly making a noise is likely to have been somewhat stressful and annoying to him. So, this would have reduced the enjoyment Mr O would have had while driving the car. This is even more so, given the prestige brand of the car and, what follows, the greater expectation of a luxury experience, considering the brand model and the price of the car. There is no exact mathematical method to quantify the impact on Mr O having had to drive the car with this issue but, having considered the circumstances, I think that Mr O should be refunded 35% of the repayments he has made.

VCFS should also add interest to the refunded amounts from the date of each payment until the date of settlement. Interest should be calculated at 8% simple per year.

I also think that this matter caused Mr O a lot of distress and inconvenience when trying to resolve it. He had to take the car back to the dealership a number of times, and he had to correspond extensively with the dealership/broker and VCFS. Also, he had to make alternative transport arrangements, which I think he would not have had to make if VCFS supplied him with a car that was of satisfactory quality. So, I think VCFS should pay him a total of £450 in compensation to reflect the distress and inconvenience caused. This is an additional £150 to the £300 already on offer.

I know that some of the above has already been refunded/paid by VCFS and by the supplying dealership/broker, so it maybe that VCFS need to make contact with them to determine what has or has not been refunded/paid, but this should be done without any unreasonable delay or significant inconvenience to Mr O. As I mentioned above, VCFS are the supplier of the car under the conditional sale agreement in question, so it is VCFS that is

responsible for the quality of the car and, as such, are responsible for the redress that needs to be paid.

My final decision

For the reasons given above, I uphold this complaint and direct Volvo Car Financial Services UK Limited to:

1. Cancel the conditional sale agreement with nothing further to pay, if this has not yet been done;
2. Refund the advance payment of £5,500, if this has not yet been done;
3. VCFS can keep the three repayments and should also refund any other payments made by Mr O. They should refund 35% of the three repayments made by Mr O, if this has not yet been done;
4. Add 8% simple interest per year to points 2 and 3 above, counting from the date of each payment to the date of settlement, if this has not yet been done;
5. Pay a total of £450 in compensation to reflect the distress and inconvenience caused. This is an additional £150 to the £300 already on offer, if this has not yet been done;
6. Remove any adverse information from Mr O's credit file. The credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as voluntary termination.

If Volvo Car Financial Services UK Limited considers tax should be deducted from the interest element of my award, they should provide Mr O with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 4 June 2025.

Mike Kozbial
Ombudsman