

The complaint

Mr R is unhappy that a car supplied to him under a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (Audi) was of an unsatisfactory quality.

When I refer to what Mr R has said and what Audi have said, it should also be taken to include things said on their behalf.

What happened

Mr R was supplied a new car via a hire purchase agreement, signed 24 May 2023, with Audi. The total price was £43,305 with an advanced payment of £7,500. Mr R was required to pay 48 monthly payments of £500.75. There was a final payment of £19,332.50 plus £10 to acquire the car at the end of the hire period. The total amount payable was £50,878.50 at an interest rate of 6.9% APR.

There were some issues with the car supplied and it was agreed that Mr R could return the car and get a replacement. Mr R offered to return the car immediately and use his own car whilst waiting for a replacement. However the supplying garage told him to continue to use the car supplied. There was some debate when Mr R went to pick the replacement car up as to whether a new agreement was required. In the end a new agreement was put in place but one that was a continuation of the first agreement, albeit with a different cash price, and was signed on 6 September 2023. The new purchase price was £41,323 with an advanced payment of £6,665. Mr R was required to pay 45 monthly payments of £495.05. There was a final payment of £19,332.50 plus £10 to acquire the car. The total amount payable being £48,284.81 at an interest rate of 6.9% APR.

The car supplied on this occasion did not have the full specification of the original car ordered. It lacked certain features such as keyless entry. It was agreed that Mr R would be supplied with a third car that matched the originally agreed specification.

When Mr R went to collect the third car he was required to sign a new 48 month agreement, which he was not happy about. He did sign the agreement with the intention to resolve the matter at a later date. The supplying garage offered a payment of £900 and a free service plan as compensation. The new agreement signed on 18 March 2024. The agreement had a purchase price of £41,210.98 less an advanced payment of £5,645.45. Mr R was required to pay 48 monthly payments of £500. There was a final payment of £21,802.50 plus £10 to acquire the car at the end of the hire period. The total amount payable being £49,457.95 at an APR of 7.9%.

Because he wasn't happy Mr R complained to Audi.

Audi issued their final response letter on 12 August 2024. They accepted that there had been failings and partially upheld Mr R's complaint. They offered him an additional £1,000 as a goodwill gesture to recognise the impact of the poor service Mr R had received.

As Mr R wasn't happy with the offer he complained to us seeking £5,500 to cover the additional payments he has had to make.

On 15 October 2024 our investigator issued their decision. They did not uphold Mr R's complaint. One of the key elements for them was the fact that Mr R entered into a new agreement on 18 March 2024 and this clearly set out the new terms. They considered Mr R's request for £5,500 compensation but felt this did not represent what Mr R was out of pocket as he had use of a car for the additional period of payments and there was minimal differences in the total amount payable under the agreements. They felt the offer of £1,000 in addition to what the supplying garage had offered was sufficient compensation. Mr R was not happy with this decision. He felt that whilst he did sign a new agreement he had no choice but to sign. Additionally he had not been informed that he would have to sign a new agreement to change cars. The additional length of time the cumulative agreements last means that he has had to make additional payments.

As Mr R did not agree the matter has been passed to me to consider.

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 this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and (if appropriate) what I consider was good industry practice at the time.

Mr R was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

The Consumer Rights Act 2015 (CRA) is of particular relevance 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". The CRA says the quality of goods is satisfactory if they 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 vehicle's history.

The CRA says 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. Where goods are second hand, as in this case, due regard must be had to the price, age and any description applied to the car.

The CRA also states that where goods are sold by description there is a clause included in the contract that the goods must match the description. So, the description applied to the car is not just important in terms of deciding whether it is of satisfactory quality but also if it has been misdescribed.

So, if I thought the car was faulty when Mr R took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask Audi to put this right.

In this case it appears to be accepted that there was an issue with the first two cars supplied and ultimately Mr R was supplied a car that was both of satisfactory quality and met the specification (description) of the one first ordered by Mr R. The key question I then need to consider is whether by eventually supplying a car that satisfied the original contract and

offering the level of compensation Audi (and the supplying garage) have offered, have they done enough to put the matter right.

Mr R does point out that he was not expecting to enter into new finance agreements for the second and third supply. There are three separate agreements in place and the final car supplied appears to be both of satisfactory quality and match the specification. I do accept Mr R's point and I will primarily consider the breach of the first contract, although there has been a breach of contract two as well but Mr R's main concern is how much he is out of pocket because of the breach of the initial contract, and whether what has occurred subsequently is fair and reasonable taking all circumstances into account. I set out below the three separate agreements that Mr R entered into with Audi.

Mr R's original agreement was signed 24 May 2023. The total price was £43,305 with an advanced payment of £7,500. Mr R was required to pay 48 monthly payments of £500.75. There was a final payment of £19,332.50 plus £10 to acquire the car at the end of the hire period. The total amount payable was £50,878.50 at an interest rate of 6.9% APR.

The second supply seems to be a continuation of the first agreement, albeit with a different cash price, and was signed on 6 September 2023. The new purchase price was £41,323 with an advanced payment of £6,665. Mr R was required to pay 45 monthly payments of £495.05. There was a final payment of £19,332.50 plus £10 to acquire the car. The total amount payable being £48,284.81 at an interest rate of 6.9% APR.

The final supply was a completely new agreement signed on 18 March 2024. The agreement had a purchase price of £41,210.98 less an advanced payment of £5,645.45. Mr R was required to make 48 monthly payments of £500. There was a final payment of £21,802.50 plus £10 to acquire the car at the end of the hire period. The total amount payable being £49,457.95.

As Mr R has now been supplied with the correct car I need to consider what was fair in the circumstances of Mr R being supplied a faulty car in the first instance. In essence Mr R's original agreement was for the supply of a car at a total cost of £50,878.50 over 48 months including a final payment.

In reality he will end up paying:

- £49,457.95 (total payable under third agreement)
- £1,854.55 (this being the difference between the advance payment recognised in the third agreement and what Mr R originally paid)
- £4,961.90 (the additional ten payments made under agreements one and two)

This is a total of £56,272.40.

This means that Mr R will end up paying £5,395.90 more than the original agreement. However, this does not mean that Mr R is that amount out of pocket.

In deciding what Mr R is truly out of pocket I need to take into account that, whilst he has paid more than originally agreed, by the time the agreement is completed he would have had use of a car for an additional ten months. If I look at the monthly payments that Mr R has paid under the various agreements this additional ten months would have a value in the region of £5,000. I do appreciate and understand that Mr R did not want these additional ten months but I do need to consider the extra benefit that he has received in having the use of the car.

On top of the use of the car Audi and the supplying garage have acknowledge their errors and offered compensation. From what I can see from the file these amounts are:

- £900 from the supplying dealer
- A service plan with a value of £1,454.51
- An additional offer of £1,000 from Audi

This means that Mr R has been offered total compensation of £3,354.51, with £1,900 of that being cash and £1,454.51 benefit in kind.

Audi and the supplying garage have clearly been in breach of their original contract. Whilst Mr R has had to enter into new agreements with the subsequent supply of cars two and three. I understand why he felt he had no choice but to signed them. My consideration therefore focuses on the breach of the first contract, which both Audi and the supplying garage appear to accept that they were in breach of. This resulted in Mr R having to pay £5,395.90 more than was included in the first contract. Mr R now has a car that matches the original specification and is of satisfactory quality. He has had use of a car for an additional ten months and compensation totalling £3,354.51. I feel that this is adequate compensation for the issues that Mr R has experienced and it would not be fair to ask Audi to do anything more. I would ask that they pay Mr R the offered sum of £1,000 if they haven't already done so and ensure that the supplying garage has paid the £900 they offered.

My decision is that I do not uphold Mr R's complaint.

My final decision

My decision is that I do not uphold this complaint against Volkswagen Financial Services (UK) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 August 2025.

Leon Livermore
Ombudsman