

Complaint

Mr T is unhappy with what Oodle Financial Services Limited (trading as “Oodle” Car Finance) has agreed to do to put things right for him after agreeing that it supplied him with a car that it accepts wasn’t of satisfactory quality through a hire-purchase agreement.

Background

In May 2022, Oodle provided Mr T with finance for a used car. The car was just over five and a half years old and had completed 56,300 miles. The cash price of the vehicle was £25,100.00. Mr T paid a deposit of £100 and applied for finance to cover the remaining £25,000.00 required to complete the purchase.

Oodle accepted Mr T’s application and entered into a 60-month hire-purchase agreement with him. The loan had an APR of 24.3%, interest, fees and total charges of £16,399.80 (made up of interest of £16,299.80, a document fee of £50 and an option to purchase fee of £50). And the total amount to be repaid of £41,399.80 (not including Mr T’s deposit) was due to be repaid in a first instalment of £738.33, followed by 58 monthly instalments of £688.33 and then a final instalment of £738.33.

Mr T experienced issues with the vehicle after taking delivery of it. After a number of attempted repairs proved unsuccessful and as a result of not being able to resolve matters with the supplying dealer remedying the issues with the car, Mr T complained to Oodle in August 2023.

Oodle was satisfied that the car it supplied to Mr T was of satisfactory quality and so didn’t uphold Mr T’s complaint. Mr T remained dissatisfied and referred his complaint to our service.

One of our investigators reviewed everything provided and concluded that Oodle had supplied Mr T with a car that wasn’t of satisfactory quality. He thought that Mr T was entitled to reject the car and as a result recommended that Oodle collect the vehicle from Mr T and terminate the agreement with Mr T having nothing further to pay.

Oodle accepted the investigator’s view and accepted that it should collect the car from Mr T. However, it pointed out that Mr T was in arrears as a result of not making his monthly payments since May 2023. Therefore, it believed that Mr T should have to pay the outstanding arrears.

Mr T’s complaint was then reconsidered by the same investigator and then a second one. Both investigators reached the conclusion that Mr T was entitled to reject the car, so Oodle needed to collect it from him but Mr T should pay the outstanding arrears to account for the fact that he’d used the car in the period he had it.

Mr T was dissatisfied at this resolution and asked for an ombudsman to consider his case.

My provisional decision of 25 October 2024

I issued a provisional decision – on 25 October 2024 - setting out why I was intending to partially uphold Mr T's complaint.

In summary, I was intending to reach the conclusion that Oodle needed to do more to put things right for Mr T as a result of supplying him with a car that was not of satisfactory quality. In my view, the amount it was proposing to charge Mr T for the period he had the car did not properly reflect the cost of him staying mobile in an equivalent vehicle.

I therefore set out an alternative method for Oodle to use in order to put things right for Mr T.

Oodle's response to my provisional decision

Oodle confirmed that it accepted my provisional decision. Although the vehicle would be inspected upon collection and Mr T would still be responsible for any damage outside of fair wear and tear.

Mr T's response to my provisional decision

Mr T responded to confirm his acceptance of my provisional decision and that he had nothing further to add.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read and considered everything provided including the responses to my provisional decision. I accept and acknowledge that Mr T has referred to a number of different issues that extend past the quality of the vehicle he was supplied.

However, in reaching my determination, I've concentrated on what I think is relevant – particularly as matters such as where the motor dealer sourced the car that Mr T acquired wouldn't make a difference to my proposed outcome.

So I want to reassure Mr T that where I haven't commented on a specific issue that he has raised, it's not because I've failed to take it on board and think about it. The reason I will not have commented on the issue is because I don't think I need to do so, in order to reach what I think is the right outcome. For the sake of completeness, I would add that our complaint handling rules, which I'm required to follow, permit me to adopt such an approach.

The finance agreement in this case is a regulated hire-purchase agreement, which we are able to consider complaints about. Under the hire-purchase agreement, Oodle purchased the vehicle from the dealership Mr T visited. Mr T then hired the vehicle from Oodle and paid a monthly amount to it in return. Oodle remained the legal owner of the vehicle under the agreement until Mr T's loan was repaid.

This arrangement resulted in Oodle being the supplier of Mr T's vehicle and so it is also responsible for answering a complaint about its quality.

Having carefully considered matters, I'm satisfied that, as the parties are in agreement that it wasn't, I don't need to decide whether the car Oodle supplied to Mr T was of satisfactory quality. All I need to decide here is whether what Oodle has agreed to do to put things right for Mr T is fair and reasonable in all the circumstances of his complaint.

Having considered the available evidence, including the responses to my provisional decision, I remain satisfied that Oodle needs to do a bit more to put things right for Mr T. I'll now proceed to explain why I think that this is the case in a bit more detail.

Mr T has made it clear that he wishes to reject the car and, in its response to the investigators' assessments, Oodle has accepted that it is appropriate for him to do so. It's fair to say that both parties are satisfied with this aspect of how Oodle intends to put things right. So I don't propose to direct Oodle to do anything different in relation to these matters. And to start with Oodle should end Mr T's agreement, ensuring that he's not required to pay any of the remaining payments and also collect the vehicle from him.

I now turn to what should happen to the payments Mr T has made. It's fair to say that where the parties are in dispute is over what Mr T should have to pay to account for his usage of the vehicle he was supplied with over the period he had it.

In the first assessment, the first investigator concluded that Oodle should be able to keep all of the payments that Mr T has made so far but that it couldn't collect anything further. In response to this assessment, Oodle pointed out that Mr T was in arrears on the agreement as he hadn't made any payments to the agreement from May 2023 onwards and that Mr T has been using the car he should have to make up the payments up until the car was returned.

As I've explained the initial investigator and the second one the case was passed to, both reviewed matters and concluded that Mr T needed to make up all the missed payments up until the vehicle is collected from him and that total amount of these payments would fairly and reasonably account for Mr T's usage. Mr T believes that this is unreasonable and says that Oodle should reimburse him the hire car costs he's paid.

I've carefully considered what it would be fair and reasonable for Mr T pay in order to account for his usage of the car.

There isn't an exact formula for working out fair usage. But in deciding what's fair and reasonable I've thought about Mr T's usage of the car Oodle supplied as well as what sort of costs he might have incurred to stay mobile, in an equivalent vehicle, had he not had it.

Oodle's arguments on what Mr T should have to pay effectively leave it arguing that the monthly payment reasonably accounts for what it would cost Mr T to stay mobile in an equivalent vehicle each month. However, I think that Oodle's argument does not take into account that the agreement it entered into with Mr T was a traditional hire-purchase agreement with level payments across the term (albeit the first and last payments were larger to account for the document and option to purchase fees).

So it's fair to say that the whole amount of Mr T's monthly payment was never supposed to be a reflection of his usage of the car each month (in the way that Oodle and our investigators appear to suggest) and a reasonable proportion was accounting for the fact that Mr T would end up with ownership of the vehicle at the end of the term.

It's also worth noting that this is in contrast to a Personal Contract Payment ("PCP") type agreement where the customer effectively pays rentals (or an amount to account for the depreciation in the value) for the duration of the agreement and then makes a much larger final payment which is meant to be reflective of purchasing the car at its market value at that point.

Given a reasonable proportion of Mr T's monthly payment was going towards securing ownership of the vehicle at the end of the term and that will now not happen as the car is

being returned to Oodle because it is not of satisfactory quality, I'm satisfied that Mr T shouldn't have to pay all of the monthly payments up until the car is collected.

This means it would be fair and reasonable for me to approach the question of fair usage from the viewpoint of what proportion of the monthly payments Mr T should have to pay Oodle.

Mr T has said that he's been unable to use the car and that Oodle should pay his hire car costs. I understand and appreciate what Mr T has said and why he might be unhappy at being charged for usage. But the fact remains that Mr T was able to have some use of the car. Indeed when he was asked to provide us with an odometer reading in August 2024 this shows that the car was at 79,438 miles which means that the vehicle has been driven over 23,000 miles while in his possession.

Mr T says that he expected to complete 20,000 miles a year. I don't know what Mr T told the supplying dealer or the broker which arranged his finance at the time of his purchase. But it's fair to say that 20,000 miles is an unusually high number of miles to complete a year. Furthermore, the amount of miles Mr T was able to complete makes it difficult for me to agree that he hasn't had any use of the car at all. It's also unclear to me how and why Mr T would have needed to accrue hire car charges - particularly for the amount that he is seeking to recover from Oodle - given his use of the car Oodle supplied.

So while I appreciate that Mr T may and does disagree with this, I think that Mr T has had a reasonable amount of use from the vehicle. And I'm satisfied that means that not only is it the case that Oodle shouldn't have to cover Mr T's hire car costs but that Mr T should have to pay an amount for usage, rather than it being the case that he shouldn't have to pay anything at all.

The information I've seen, from the statement of account, suggests that Mr T made around a year's worth of payments. Mr T also paid a deposit of £100, which I'm satisfied that Oodle should be able to keep and Mr T also paid to have the brake pads and discs on the car replaced. Taking all of this into account, as well as the fact that the relationship between Mr T and Oodle appears to have broken down, I think that Oodle shouldn't have to refund Mr T the payments he has made under the agreement and Mr T shouldn't have to pay anything further either.

I've seen that in response to my provisional decision, Oodle has said that it reserves the right to inspect the vehicle when it collects it from Mr T and that it considers he will remain liable for any damage outside of what would be considered to be fair wear and tear. In principle, I don't think that this is unreasonable.

However, my decision should not be taken as an endorsement for any amount that Oodle chooses to charge Mr T for any damage to the car. This decision makes no finding on the current state of the vehicle (other than what ensured that it wasn't of satisfactory quality when it was initially supplied). Should Oodle levy any damage, or any other end of contract, charges Mr T has the right to dispute them and make an additional complaint about this should he wish to do so.

In reaching my conclusions, I do accept and acknowledge that my resolution here could be viewed as being on the higher side of what's fair and reasonable for me to award. However, I think that Mr T is also likely to have experienced a degree of distress and inconvenience as a result of having been supplied with a car that was not of satisfactory quality. And, in these circumstances, I may have told Oodle to pay Mr T an amount of compensation for the distress and inconvenience its actions caused him.

However, given my direction that both parties should be able to walk away from the agreement, I'm not making an additional award for distress and inconvenience. And I'm satisfied that when taken in the round my proposed resolution is fair and reasonable in all the circumstances.

Finally, I note that Mr T paid £126 for a diagnostic to be carried out by an independent garage as part of demonstrating that the vehicle was not of satisfactory quality. As this was a cost Mr T incurred because he was sold a vehicle that wasn't of satisfactory quality, I'm satisfied that he should be refunded the cost of this diagnostic with interest at 8% per year simple.

Fair compensation – what Oodle needs to do to put things right for Mr T

Overall and having considered everything, I'm satisfied that it would be fair and reasonable for Oodle to put things right for Mr T by:

- collecting the car from Mr T at no cost to him;
- ending the hire-purchase agreement and ensuring that Mr T has nothing further to pay. Oodle should also remove any adverse information it may have recorded against Mr T as a result of this agreement from his credit file;
- reimbursing him the £126 he paid for the diagnostic check with interest at 8% per year simple from the date Mr T paid for this to the date the complaint is settled†.

† HM Revenue & Customs requires Oodle to take off tax from this interest. Oodle must give Mr T a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 25 October 2024, I'm upholding Mr T's complaint. Oodle Financial Services Limited should put things right in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 9 December 2024.

Jeshen Narayanan
Ombudsman