

The complaint

Mr S complains that the car he acquired from N.I.I.B. Group Limited trading as Northridge Finance ("Northridge") is of unsatisfactory quality.

What happened

Mr S acquired a car through a hire purchase agreement with Northridge in February 2023. The car was around three years old, had travelled around 40,000 miles and had an equivalent cash price of around £26,500.

In November 2023, he was concerned the car had an issue, and decided to book it for a check and service with a main dealer. He'd covered around 14,000 miles at this point. The main dealer investigated and said there was a significant problem with the engine. The oil was not coming out of the sump, the oil filter had disintegrated and clogged, and they said it was likely that the oil galleries in the engine were clogged. They told Mr S that even if they put new oil in and cleaned it out, it was likely that catastrophic engine failure would occur.

Mr S complained to Northridge at this point, who said they would need some evidence that the fault was present or developing at point of sale. On this basis, Mr S booked an engineer to come and do an independent inspection of the car in early January 2024.

The engineer said that they found the oil had minimum consistency and was found to be coagulated, the filter was disintegrated, and within the oil filter housing there was thick black oil remaining. They said that in their opinion, there was evidence to suggest the vehicle had not been serviced properly or at the correct intervals based on the state of the oil. They confirmed they hadn't seen a service history at this point. But they felt that as the intervals for services were 12 months and 18,000 miles, and they were aware that Mr S hadn't owned the car for 12 months or done 18,000 miles yet, the selling agent would need to provide evidence of servicing records. The engineer supplemented this report later on to confirm that if the car had a full service history, then it wouldn't be considered durable, as these issues should not occur with a properly serviced car of this age and mileage and were not wear and tear issues.

The engineer said that in their opinion, the suitable repair for this problem would be a replacement engine, as they felt it would be difficult to remove the deteriorated oil and flush it out of the engine assembly successfully.

The main dealer provided an estimate to replace the engine and turbo, saying it would be around £16,000. Mr S left the car at their advice with them, as they told him he should not drive it as it would risk causing further damage.

I've seen no updated response from Northridge to the complaint after this, but they did forward the reports to the supplying dealership to ask for comments. They confirmed that Mr S had contacted them in March 2023 to say the service light was on, so they covered the cost of an oil and filter change as a goodwill gesture. They confirmed the service book showed services at required intervals including the last one on 14 November 2022.

Mr S brought his complaint to our service and an Investigator gave their view in June 2024 and upheld the complaint. They said they felt the car wasn't durable, and that Northridge should repair the car, along with additional redress to recognise costs incurred by Mr S and the fact that car hadn't been usable since November 2023.

As Northridge didn't agree this outcome, the case was passed to me as an Ombudsman to make a final decision.

I issued a provisional decision on 15 December 2024 which said the following:

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

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. However, as I've said, I do think the something different needs to be done now to put things right.

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 S was supplied with a vehicle under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it.

When considering what's fair and reasonable, I take into account relevant law and regulations. The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. The CRA explains under a contract to supply goods, the supplier – Northridge here – has a responsibility to make sure goods are of satisfactory quality. Satisfactory quality is what a reasonable person would expect – taking into account any relevant factors.

I would consider relevant factors here, amongst others, to include the car's age, price, mileage, and description. So, I'll consider here that the car supplied to Mr S was used, around three years old and cost over £25,000. It also apparently had a full service history. This means I think a reasonable person would expect fairly high standards for the quality of the car. I think they would expect it to be in good condition, free from any significant faults.

I also give significant weight to both the independent inspection and the manufacturer garage who've provided their similar assessments of the vehicle. Both say that the car has a significant problem, one which I don't think a reasonable person would expect to see in a car of this age and mileage. Both parties said they don't believe that the car has been serviced correctly, which goes against the service record the supplying dealership have supplied.

I've thought about this and what's likely to have happened. The supplying dealership have also said that Mr S contacted them to say the service light was on in the car shortly after he acquired it in March 2023. This contradicts the service record provided, which says the car had been serviced not that long before, in November 2022, when the car had done around 38,000 miles. They've said they paid for Mr S to have an oil change at a local garage to him.

Two things concern me about this. Firstly, it suggests there may have been something wrong with regards to the servicing history, as there was no need for a service at this time, if the service record was correct. And secondly, as the independent inspection report has said may happen, if there was some sort of oil change at this time, then it hasn't prevented the car having bigger problems a few months later with the oil and filter. As the independent report says for repairs now, a simple oil change and drain may not suffice now to save the engine.

These things together make me think that it's most likely that the servicing record supplied is inaccurate. But I can't be sure. So, I've gone on to consider the circumstances if the service record is in fact correct. I was glad to see that Mr S had reached out to the independent engineer after he'd supplied his report, to explain that the car did have a full service history, to ask for their thoughts on this.

The engineer has said that if the car has been correctly serviced, it is definitely not durable, and the problems it has encountered are definitely not normal wear and tear issues. What this tells me is that whatever the reasons for this issue and problem with the car, they are not the responsibility of Mr S, but are the responsibility of the supplier to put right. Either the car was sold with a false service history which has misled Mr S, or it was not durable. Either way, the issue was present or developing at point of sale and is the responsibility of the supplier, Northridge.

The investigator here has recommended repairs for the car. However, we've also been provided with a quote Mr S has obtained from the main dealer to repair the car by replacing the engine and turbo, which totals over £16,000. I don't feel this is economical for Northridge to undertake, so asked Mr S what his thoughts are now, as we are more than 12 months down the line, and the car has been off the road for more than 12 months.

Mr S would be concerned if the car was given back to the supplying dealership to repair. He has lost confidence in them, which I think is understandable when he's discovered that either they have supplied him with a car with a false service record or have supplied a car with a significant fault. Equally, I don't think it's fair to expect Northridge to pay the large repair bill to get it repaired at the main dealer.

Alongside this, I've thought about the fact that this issue has left the car off the road for over 12 months now. Any number of knock-on issues can have occurred after such a long period without the car being used. As such, I believe that the fairest outcome here would be for Mr S to be able to reject the car and end the agreement. Whilst the CRA allows Northridge one opportunity to repair the car, it also says that those repairs should be carried out in a timely fashion, and this hasn't happened now as over 12 months have passed since he reported the problems.

So, I'm satisfied that the fairest outcome all round would be for Mr S to be able to end the agreement and reject the car. I don't believe the repairs are economical if done properly, and I'm not persuaded that it's fair to Mr S to have the car repaired this long after the problem first occurred.

Alongside allowing Mr S to return the car and reject it, I think Northridge should refund Mr M the deposit he paid for the car, and all monthly payments made since 1 November 2023 as the car has not been usable since then. They should also refund the cost of the independent engineers report they asked him to commission. These refunds should include 8% simple interest from the day of payment to the day of settlement.

As well as this, Mr S has been caused considerable distress and inconvenience, and I agree with the Investigator's earlier view that Northridge should pay Mr S £300 to recognise this.

My provisional decision

My provisional decision is to uphold this complaint, and ask Northridge to carry out the following to put things right:

- End the agreement with nothing further to pay.

- *Collect the car at no cost to Mr S.*
- *Refund Mr S the deposit he paid.*
- *Refund Mr S all monthly payments made since 1 November 2023.*
- *Refund Mr S £276 for the independent engineer's report provided on 2 January 2024.*
- *Apply 8% simple interest on the above refunds from the date of payment to the date of settlement.*
- *Remove any adverse entries relating to this agreement from Mr S's credit file.*
- *Pay Mr S an additional £300 to recognise the distress and inconvenience caused by being supplied with a car that was not of satisfactory quality.*

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.

Following my provisional decision and recognising that this was the Christmas period, we reached out to Northridge to ask them to read and comment on the provisional decision within the given two week timeframe, as we did not wish to delay things for Mr S any longer than was necessary when he's already spent over a year without the car. However, I've seen no response from them and as we are now ten working days on from that decision and 16 days in total, I don't believe Mr S should have to wait any longer.

Mr S had some queries about the agreement and the amount of his deposit, but following discussions, he confirmed he was happy to accept the provisional decision.

As such, with nothing further raised that I need to consider, I am satisfied that my provisional decision should stand, along with the recommended things to put things right.

Putting things right

I instruct N.I.I.B. Group Limited trading as Northridge Finance to carry out the following to put things right:

- End the agreement with nothing further to pay.
- Collect the car at no cost to Mr S.
- Refund Mr S the deposit he paid.
- Refund Mr S all monthly payments made on the agreement since 1 November 2023.
- Refund Mr S for the independent engineer's report provided on 2 January 2024.
- Apply 8% simple interest on the above refunds from the date of payment to the date of settlement.
- Remove any adverse entries relating to this agreement from Mr S's credit file.
- Pay Mr S an additional £300 to recognise the distress and inconvenience caused by being supplied with a car that was not of satisfactory quality.

My final decision

I am upholding this complaint and instruct N.I.I.B. Group Limited trading as Northridge Finance to carry out the above actions to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 28 January 2025.

Paul Cronin
Ombudsman