

The complaint

Miss I complains about the quality of a car she acquired under a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (AFS).

When I refer to what Miss I and/or AFS said or did, it should also be taken to include things said or done on their behalf.

What happened

In January 2023, Miss I entered into a hire purchase agreement with AFS to acquire a used car first registered in July 2019. At the time, the car had travelled around 20,008 miles. The cash price of the car was around £23,780. There was a deposit/part exchange contribution of £1,000 and the total amount payable was around £31,251. Miss I needed to make 59 monthly repayments of around £504, and if she chose to exercise the option to purchase there was one more final payment of around £504, plus an option to purchase fee of £10.

Miss I said the car is unfit for purpose and not of satisfactory quality, as further proven in the last few months, since it has been residing permanently at the dealership. As a result, she would like to reject it and request a full refund of all payments made to date.

In June 2024, AFS wrote to Miss I. In this correspondence they said they contacted the dealership who verified that the scraping noise emanating from the engine had been rectified in June 2023. The initial issue with the gearbox was detected by the dealership in July 2023, and subsequent tests validated that the repairs were indeed successful, with the mileage recorded at 25,809 miles.

AFS said in August 2023, that the micro switch for the gearbox was replaced, and all diagnostic tests confirmed that the repair had been effective, with the mileage at the time recorded at approximately 30,000 miles. Moving forward to 2024, an investigation was conducted on the car for judder, and after further repairs were carried out, it was confirmed that all was in order. Presently, the car is situated at the dealership where both the gearbox and clutch have been removed for a more thorough examination and consultation with technical experts. The dealership anticipates receiving guidance on the next steps for a successful repair within the next few days.

AFS wrote that they regret to inform Miss I that they are unable to approve her request to reject the car and to provide a refund. They said the necessary repairs have been carried out at no expense to her. Additionally, she had been able to drive the car for approximately 15,000 miles without any major issues. AFS also explained that the dealership confirmed that the current repair will be undertaken without any cost to her. Also, they said they understand the inconvenience she has experienced and, as a goodwill gesture, they are offering her £500.

Miss I was not happy, so she referred her complaint to Financial Ombudsman Service (Financial Ombudsman).

Our investigator was of the opinion that the car was not of satisfactory quality when it was supplied to Miss I. In particular, that it was not reasonably durable. The investigator was of the opinion that Miss I should be able to reject the car, and as such they thought that AFS should:

- end the agreement with nothing further to pay.
- collect the car (if this has not been done already) at no further cost to the customer.
- refund the customer's deposit/part exchange contribution of £1,000.
- pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement.
- remove any adverse information from the customer's credit file in relation to the agreement.

AFS agreed to the outcome of the investigator and ended the agreement. The car was collected and Miss I had her deposit refunded. AFS said they have also paid 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement – here that being on the deposit amount of £1,000 as per the investigator's outcome.

Miss I said that she misunderstood the redress proposed by the investigator, otherwise she said she would have never accepted it. She also said that she is disappointed to see she was contributing to a faulty car for two years to not only end up out of pocket but also enabling AFS's financial gains from the financial agreement. In summary, she feels that she paid off two fifths of the car plus its maintenance. As such, she believes that more money should be refunded to her.

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.

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.

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 to have been good industry practice at the relevant time. Miss I acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. AFS is the supplier of the goods under this type of agreement and is responsible for dealing with complaints about their quality.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Miss I 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 Miss I's case at the time of acquisition the car was around three and a half years old, had travelled around 20,008 miles, and the total cash price was around £23,780. I would have different expectations of it compared to a brand-new car. As with any car, there is an expectation that there will be ongoing maintenance and upkeep costs. There are parts that will naturally wear over time, and it is reasonable to expect these to be replaced. And with second hand cars, it is more likely parts will need to be replaced sooner or be worn faster than with a brand-new car. So AFS would not be responsible for anything that was due to normal wear and tear whilst in Miss I's possession. But given the age, mileage and price paid, I think it is fair to say that a reasonable person would have high expectations of it and would expect the quality of the car to be of a higher standard than a car which is more road worn or has a lower price. Also, I think a reasonable person would expect it to be free from defects for a considerable period of time.

I am aware that AFS have accepted that Miss I is allowed to reject the car, so I will not go into a lot of detail regarding the satisfactory quality of the car, but for completeness I will cover some aspects briefly.

In summary, Miss I thinks that, due to all the issues she has experienced with the car, she should be entitled to reject the car. She also feels that she has paid off two fifths of the car plus covered its maintenance, so she believes that, in addition to the deposit refund, more money should be returned to her.

The CRA sets out that Miss I has a short term right to reject the car within the first 30 days, if the car is of unsatisfactory quality, not fit for purpose, or not as described, and she would need to ask for the rejection within that time. Miss I would not be able to retrospectively exercise her short term right of rejection at a later date.

The CRA does say that Miss I would be entitled to still return the car after the first 30 days, if the car acquired was not of satisfactory quality, not fit for purpose, or not as described, but she would not have the right to reject the car until she has exercised her right to a repair first – this is called her final right to reject. And this would be available to her if that repair had not been successful.

So bearing the above in mind, I first considered if there was a fault with the car.

AFS have told us that after they raised the issues with the dealership, their service manager confirmed that the noise/vibration sound had been rectified in June 2023 and the initial issue with the gearbox was repaired in July 2023, when the car's mileage was around 25,809.

Also, from the evidence on file, I can see that a driving system fault and car juddering was investigated and addressed in March 2024. Then later in April 2024, juddering and vibrations were again investigated and, among other repairs carried out, the turbocharger was repaired. Then, about two months later, as the issue was not repaired the car was back at the dealership and was there for a variety of repairs to do with the gearbox and the clutch for about half a year, as the issue kept persisting.

Based on all the above, I think the car was, most likely, faulty. But just because a car was faulty does not automatically mean that it was of unsatisfactory quality when supplied. So, I have considered if the car was of unsatisfactory quality when it was supplied to Miss I.

Initially AFS said they were unable to approve Miss I's request to reject as the necessary repairs have been carried out at no expense to her, and she had been able to drive the car

for approximately 15,000 miles without any major issues. As I said before, AFS have since allowed Miss I to reject the car. But for completeness, I will say that considering the mileage of the car when supplied combined with when the faults first became apparent, I think most likely a reasonable person would not consider the car to be of satisfactory quality when supplied. When arriving at this conclusion, I have considered that a reasonable person would not expect a car which travelled less than 36,000 miles to have problems with the juddering which seems to have been, most likely, an issue to do with the gearbox and the clutch system. Considering how long those parts normally should last, I'm persuaded that, more likely than not, the car would not be considered of reasonable quality. Moreover, considering the specific circumstances of this particular case, I think most likely, these faults would render the car of unsatisfactory quality.

I have considered whether it would be fair for Miss I to be able to reject the car. When considering this I have thought about the fact that in November 2024, the dealership told Miss I that they have concluded repairs, replaced the flywheel, injectors, associated parts and done the necessary updates so she could pick up the car.

In situations similar to this one, I might have been inclined to say that Miss I should not have the right to exercise her right of rejection, but I do not think this would be fair and reasonable considering the specific circumstances of this case. I think a more reasonable solution would be for her to be able to exercise her right of rejection under the CRA.

When coming to the above conclusion, I have considered many things. Among them, I have thought about the fact that Miss I did pick up the car and had it for a short period after the last repairs. However, I also thought about the fact that it was not clear whether the car was definitely fixed at that time, as the dealership did not provide Miss I with clear evidence that the fault definitely has been resolved. In addition, earlier before the car was fixed, it was clear from the communications with AFS and the dealership that she wanted to end the agreement because of the car's quality and that she was only picking it up as she felt she had no choice and needed to keep mobile at that time. So, bearing in mind the specific circumstances of this case, I do not think it would be considered fair and reasonable to assume that she accepted that last repair as an outcome to her complaint, hence forfeiting her right to reject the car.

And even if I was wrong regarding the above, which I do not think I am, I still think that she should be able to reject the car. This is because I reflected on the fact that so much delay and inconvenience has been caused when Miss I was waiting for the car to be repaired. Under the CRA, AFS are responsible for carrying out the repairs within a reasonable time and without significant inconvenience to Miss I, which has not happened in this case. So, bearing in mind the specific circumstances of this complaint and considering the significant amount of time that it took to fix the car, I think it was fair and reasonable that Miss I was able to exercise her right to reject the car. As such, it is not unreasonable that the hire purchase agreement is cancelled with nothing further to pay and for AFS to collect the car at no further cost to Miss I.

AFS should remove any adverse information from Miss I's credit file. The credit agreement should be marked as settled in full on her credit file, or something similar, and should not show as voluntary termination.

Furthermore, I know that Miss I thinks that she should receive some of the payments she has made towards the finance agreement because she was contributing to a faulty car for two years and feels that AFS got financial gains from the agreement in question. She has also said that she was maintaining the car during this time.

I have considered everything she said but it is important to mention that she has been able to use the car and had travelled a reasonable number of miles from the point of sale. So, I think it is reasonable she pays for this use and that she was required to maintain the car during that time. Also, while the car was being repaired, the dealership kept her mobile as she was provided with courtesy cars, so it is fair and reasonable that AFS can keep any payment she has made.

AFS should also refund the deposit/part exchange contribution of £1,000.

I also considered that this matter has caused Miss I significant distress and inconvenience while trying to resolve it. Miss I had to take the car back for repairs on several occasions. I think, she would not have to do so had AFS supplied her with a car that was of a satisfactory quality. But I think AFS's offer of £500 compensation fairly reflects the distress and inconvenience that has been caused.

My final decision

For the reasons given above, I uphold this complaint and direct Volkswagen Financial Services (UK) Limited trading as Audi Financial Services to:

1. End the hire purchase agreement with nothing further to pay, if this has not yet been done;
2. Collect the car from wherever it is located at no cost to Miss I, if this has not yet been done;
3. Refund the deposit/part exchange contribution of £1,000, if this has not yet been paid;
4. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement, if this has not yet been paid;
5. Pay Miss I £500 for the distress and inconvenience caused, if this has not yet been paid;
6. Remove any adverse information recorded on Miss I's credit file in relation to this credit agreement. The credit agreement should be marked as settled in full on her credit file, or something similar, and should not show as voluntary termination.

If Volkswagen Financial Services (UK) Limited trading as Audi Financial Services considers that tax should be deducted from the interest element of my award, they should provide Miss I with a certificate showing how much they have taken off so she can reclaim that amount, if she is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 26 August 2025.

Mike Kozbial
Ombudsman