

Complaint

Mr R has complained about the quality of a car that N.I.I.B Group Limited (trading as “Northridge Finance”) supplied to him through a hire-purchase agreement.

Background

In June 2024, Northridge Finance provided Mr R with finance for a used car. The car was just over seven years old and had completed 41,887 miles¹. The cash price of the vehicle was £37,000.00. Mr R paid a cash deposit of £10,000.00, received a part exchange value for his old vehicle of £3,000.00 and applied for finance to cover the remaining £24,000.00 he required.

Northridge Finance accepted Mr R’s application and entered into a 60-month hire-purchase agreement with him. The loan had an APR of 9.9%, interest, fees and total charges of £6,226.00 (made up of interest of £6,216.00 and an option to purchase fee of £10). And the balance to be repaid of £32,226.60 (which does not include Mr R’s deposit) was due to be repaid in 59 monthly instalments of £503.61 followed by a final monthly instalment of £513.61.

Mr R experienced persistent issues with the vehicle shortly 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 R complained to Northridge Finance in August 2024.

Northridge Finance accepted Mr R’s complaint. It said that it would collect the car from Mr R refund his deposit and all of his monthly payments, however, it said that it would deduct an amount for Mr R’s usage of the car at 45 pence per mile. Northridge Finance also agreed to refund the inspection costs Mr R incurred. Mr R was unhappy with the proposed deduction for usage and referred his complaint to our service.

One of our investigators reviewed everything provided and was broadly happy with what Northridge Finance had agreed to do to put things right. However, he thought that there were some additional costs which Mr R incurred and which he believed it should cover. Mr R accepted the investigator’s view.

However, despite having been given a number of extensions of time to do so, Northridge Finance, extremely disappointingly, did not respond to the investigator’s assessment. As Northridge Finance did not respond to the investigator’s assessment the case was passed to an ombudsman as per the next stage of our dispute resolution process.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable

¹ This is the mileage quoted on the purchase invoice. However, I’ve noted that the MOT which was carried out before the car was supplied to Mr R recorded the car as having a mileage of 41,899 miles.

in the circumstances of this complaint.

I've read and considered everything provided. I accept and acknowledge that Mr R 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.

So I want to reassure Mr R 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, Northridge Finance purchased the vehicle from the dealership Mr R visited. Mr R then hired the vehicle from Northridge Finance and paid a monthly amount to it in return. Northridge Finance remained the legal owner of the vehicle under the agreement until Mr R's loan was repaid.

This arrangement resulted in Northridge Finance being the supplier of Mr R'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 Northridge Finance supplied to Mr R was of satisfactory quality. All I need to decide here is whether what Northridge Finance has agreed to do to put things right for Mr R is fair and reasonable in all the circumstances of his complaint.

Having considered the available evidence, I'm satisfied that Northridge Finance needs to do a bit more to put things right for Mr R. I'll now proceed to explain why I think that this is the case in a bit more detail.

Mr R has made it clear that he wishes to reject the car and in its final response Northridge Finance 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 Northridge Finance intends to put things right. So to start with Northridge Finance should collect the car from Mr R and end his agreement.

I understand that the agreement may already have been ended and that Northridge Finance cancelled Mr R's direct debit in October 2024 as well as ceased recording information regarding this agreement with credit reference agencies. However, if this hasn't already been done, Northridge Finance should now do this.

Northridge Finance has also already agreed to refund the cash deposit of £10,000.00 Mr R paid as a result of this agreement, a further £3,000.00 to cover the part exchange value of Mr R's previous car and also all of the monthly payments Mr R made. This is what I would expect a lender to do in circumstances where a car has very quickly proven to be of unsatisfactory quality – such as here. As this is the case, I'm satisfied that refunding Mr R these amounts is fair and reasonable in all the circumstances.

Mr R has also provided evidence to show that he incurred further costs as a result of having to demonstrate that the car supplied wasn't of satisfactory quality. I note that Northridge Finance has agreed to cover some of this. But for the avoidance of doubt, I wish to make it clear that Northridge Finance should reimburse Mr R £99 to cover the costs of diagnosing the initial engine hesitation issue; £540 for the engine to be returned to its usual mapping;

£140 so the brakes could be investigated; and £288 for the independent report Mr R commissioned to show that the vehicle was faulty.

As these are costs, Mr R incurred as part of demonstrating that the car was not of satisfactory quality, I'm satisfied that he should be reimbursed these costs with interest at 8% per year simple.

Mr R has also supplied evidence to show he had to pay £80 to retain his personalised number plate and a £60 admin fee to cancel the insurance policy he took out for this car. Furthermore, while I accept that Mr R may not have receipts for these, I'm satisfied that he is likely to have incurred costs of around £100 in order to get to and from garages, the supplying dealer and service centres as a result of the car being faulty.

I am satisfied that these are all costs Mr R incurred because he was sold a vehicle that wasn't of satisfactory quality. Therefore, I am directing Northridge Finance to reimburse Mr R these costs with interest at 8% per year simple.

Mr R has also sought reimbursement of his hire car costs. However, the invoice he has supplied is for his hire car costs from 20 November 2024². Mr R is being refunded the full amount of his payments from October 2024 onwards. In these circumstances, I don't think that it would be fair and reasonable for Northridge Finance to also pay for Mr R's hire car costs from this point onwards, given Mr R will always have incurred some costs to stay mobile were he not making payments to this hire purchase agreement. I'm therefore not requiring Northridge Finance to reimburse Mr R his hire car costs.

I now turn to what Northridge Finance can deduct from what it needs to pay to account for Mr R's usage of the car. It's fair to say that this is the area where the parties are in dispute. To start with, I think it would help for me to start by explaining that there isn't an exact formula for working out fair usage. But in deciding what's fair and reasonable I've thought about Mr R's usage of the car Northridge Finance supplied as well as what sort of costs he might have incurred to stay mobile, in an equivalent vehicle, had he not had it.

I accept that there is no dispute that Mr R completed some mileage in the car he was supplied with. However, the 45 pence a mile figure that Northridge Finance has used appears to be the amount a lender will typically charge should a customer completes miles above the amount that they are permitted to on an agreement.

This is effectively a measure that is typically used across the industry (although it's fair to say that some lenders use other measures) to calculate charges for the additional wear and tear a vehicle may suffer as a result of the customer driving the car more than the agreement permitted them to, rather than a way of measuring what it would cost a customer to remain mobile. So I don't think that the method Northridge Finance proposes to use to determine an amount to account for Mr R's usage of the vehicle, is appropriate bearing in mind the circumstances here.

I've therefore considered what it would be fair and reasonable for Northridge Finance to deduct. In doing so, I'm mindful of the particular circumstances of this case, that Northridge appears to already have unwound this agreement and it has not been collecting payments from October 2024.

It isn't clear to me why Northridge Finance did not arrange to collect the car at this time, given all parties accepted that the car wasn't of satisfactory quality at this stage.

² The invoice actually states the hire car was supplied on 20 November 2025. However, I have taken the reference to 2025 to be a misprint.

Furthermore, Northridge Finance hasn't provided any reason why it hasn't collected the car from Mr R, in the period that the case has been with us, nor has it responded to our assessments on the complaint either. Finally, I'm also mindful that some of the mileage accumulated that while the car was in Mr R's possession, will have done so because Mr R was getting to and from garages and services in order to rectify matters.

Bearing in mind all of this and having considered everything in the round, I'm satisfied that Northridge Finance can retain the equivalent of two monthly payments in order to account for Mr R's usage of the car. In other words, Northridge Finance can now deduct £1,006.22 from what it now needs to pay Mr R, in order to account for his usage of the car.

I've also considered the distress and inconvenience that Mr R will have experienced as a result of Northridge Finance's actions. There is no doubt that Mr R has had to take a considerable amount of time to contact the supplying dealer as well as Northridge Finance and has consistently chased both parties, in an attempt to rectify matters with the car.

Mr R has also had the stress of arranging and getting to and from garages, for repairs, diagnostic checks and inspections to take place. I realise that Mr R has referred to having lost business income in order to get the repairs dealt with. But as Mr R did not take out a business agreement, I can't reasonably expect Northridge Finance to cover any of Mr R's lost business income.

Furthermore, while I'm prepared to accept that Mr R incurred some travel costs which I've said Northridge Finance should refund to him I've not been provided with sufficient corroborating evidence to reasonably conclude that he incurred additional childcare costs that he wouldn't have, but for having been supplied with this car. So I've not been persuaded to make an additional award for this.

I've noted that Northridge Finance offered Mr R £300 for any distress and inconvenience he experienced as a result of being supplied with a car that wasn't of satisfactory quality. I'm also persuaded that Mr R was caused a moderate amount of distress and inconvenience as a result of Northridge Finance supplying him with a car that was not of satisfactory quality. Bearing in mind all of this and what I am able to make an award for, I think that the £300 Northridge Finance has agreed to pay Mr R for the distress and inconvenience caused by its actions, fair and reasonable.

In reaching my conclusions, I do appreciate that Northridge Finance may feel that some of what I am directed it to pay to Mr R is generous. But given its complete lack of engagement with the case and it failing to set out any plausible arguments on why Mr R isn't entitled to compensation on this basis, I'm satisfied that what I'm directing it to do is fair and reasonable in all the circumstances of this case.

Fair compensation – what Northridge Finance needs to do to put things right for Mr R

Overall and having considered everything, I'm satisfied that it would be fair and reasonable for Northridge Finance to put things right for Mr R by:

- collecting the car from Mr R at no cost to him;
- if for whatever reason this hasn't already been done, ending the hire-purchase agreement and ensuring that Mr R has nothing further to pay. Northridge Finance should also remove any adverse information it may have recorded against Mr R as a result of this agreement from his credit file;

- refunding Mr R his deposit of £13,000.00 and all of the monthly payments he made on the hire-purchase agreement;
- reimbursing him £99 to cover the costs of diagnosing the initial engine hesitation issue; £540 for the engine to be returned to its usual mapping; £140 so the brakes could be investigated; and £288 for the independent report; £60 for the administration fee he had to pay to cancel the insurance on the car; £80 for the retention of his personalised number plate; and finally £100 to cover transportation to and from repairs and diagnostic checks to be carried out;
- adding interest at 8% per year simple on any refunded and reimbursed payments from the date they were made by Mr H to the date the complaint is settled†;
- deducting £1,006.22 (representing two monthly payments) to account for Mr R's usage, from the amount that it now has to pay him.

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

My final decision

For the reasons I've explained, I'm upholding Mr R's complaint. N.I.I.B Group Limited (trading as "Northridge Finance") should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 3 April 2025.

Jeshen Narayanan
Ombudsman