

The complaint

Miss M complains about the quality of a new car she acquired through a hire purchase agreement with Volkswagen Financial Services (UK) Limited ('VWFSL'). Miss M says that within a few weeks the car started to experience power problems and a 'clunking' noise from the gearbox. Even though the car has been repaired she thinks it still has these problems.

What happened

Miss M's complaint is about the quality of a new car she acquired in July 2023. Miss M acquired the car using a hire purchase agreement that was started at the same time. The vehicle had a retail price of £38,825.03. Miss M paid a £10,750 deposit meaning £29,075.03 was financed. This agreement was to be repaid through 48 monthly instalments. There were 47 monthly instalments of £342.59 followed by a final repayment of £17,437.50. If Miss M made the repayments in line with the credit agreement, she will need to repay a total of £44,299.23.

Miss M says within a couple of weeks of ownership the car developed a 'clunking' noise in the gearbox area and a delay in the power output when switching from the hybrid engine to the combustion engine. She also had concerns about the cars braking.

In July 2023, Miss M complained about the gearbox noise and the braking issues. The vehicle was inspected in November 2023, but no faults were found.

Miss M says she continued to experience these problems, and the car was inspected again in January 2024. It was confirmed at this time that the car had a clutch, and or gearbox problem. After some investigation and communication with the manufacturer, I understand the gearbox, a control unit, and the battery were replaced. The car was returned to Miss M in March 2024.

Miss M didn't think that the repairs had fixed the issue with the car. Later in March 2024 she returned the car to the dealership. No further faults were found, but the dealership agreed to keep the car and look at it over time. The dealership couldn't reproduce the problems Miss M says she was experiencing.

Then In April 2024 Miss M and the dealership test drove her car, and a similar car the dealership had, to compare the two. The dealership couldn't identify any differences, but Miss M felt they drove differently.

Miss M has the car back now. I've seen that she has tried to have the car tested again, and demonstrate the faults she says the car has, but she has been unable to have this done, or show the faults are ongoing.

Miss M complained to VWFSL about all of this. VWFSL considered this complaint, and it partially upheld it. It said that the gearbox noise. and power problems, had been fixed but it has offered to refund 50% of the payments Miss M has made over the approximately four months the repairs took to action. This totalled £750.

Miss M didn't agree with this and brought her complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Miss M's complaint. She said that it hadn't been demonstrated that the car was faulty after the repair. She thought the refund VWFSL had made for the time the car was being repaired was reasonable.

Miss M didn't agree with the Investigator. She said that she purchased a new car, and it should not have been faulty. Miss M had said she would like more compensation for the issues she had experienced and some contribution to her tax and insurance costs over the time she has owned the car. She says she would like compensation of £10,000.

Because Miss M didn't agree, this matter has been passed to me to make a final decision.

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 what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider was good industry practice at the relevant time.

The agreement in this case is a regulated hire purchase agreement – so we can consider a complaint relating to it. VWFSL as the supplier of the goods under this type of agreement is responsible for a complaint about their quality.

The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. It says that under a contract to supply goods, there is an implied term that 'the quality of the goods are satisfactory'.

To be considered 'satisfactory', the goods would need to meet the standard that a reasonable person would consider satisfactory – considering 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 consider might include things like the age and mileage at the time of sale and the car's history.

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 can be aspects of this.

Here, the car was acquired new. So, I think it's fair to say that a reasonable person would expect the level of quality to be higher than a second-hand, more road-worn car and that it could be used – free from defects – for a considerable period of time.

I think it's established that the car had a fault with the transmission. Whilst this seemed difficult at first to diagnose, as it seems to have been intermittent, I think it's reasonable to say that this fault meant that the car wasn't of satisfactory quality when it was supplied to Miss M.

I think it was reasonable for VWFSL to arrange to have the car repaired. And Miss M seems to have accepted this. I've gone on to consider if the car has been properly repaired and if the compensation VWFSL has offered is reasonable for the problems Miss M had with the car.

Miss M says she is still experiencing some problems with how the car is driving, albeit to a lesser extent, and infrequently. But VWFSL has investigated the problems the car had and it says it has repaired all the faults it found, which has rectified the problems.

As far as I can see, Miss M hasn't been able to demonstrate that the problem still exists despite what seems to be extensive testing by VWFSL. And I've also borne in mind that the dealership has consistently said the part of the issues Miss M has complained about, that is the power delivery, is in fact characteristic of how the car drives. So, I think it is reasonable to say that the car was successfully repaired.

Miss M has outlined the frustration this has caused her. As above the repairs did take a reasonably long time, and I think this was partly because they were difficult to diagnose. But I've noted the extra cost and time associated with taking the car back to the dealership several times to be looked at.

VWFSL did keep Miss M mobile in a courtesy car, albeit one that, at times, that had a lower specification and was smaller in size. and I've noted what she has said about the hire car not always meeting her needs. And Miss W didn't have use of the car she was paying for over about a twelve week period. She has also said the communication around all this could, at times, have been better.

I do agree that all of this will have caused her some distress and inconvenience. But having thought about everything I think the refund of half of the finance payments over this period of repair, which is around £750, is reasonable compensation for the loss of use of the car and the frustrations this caused her. I don't think Miss M should receive further compensation than this.

My final decision

Volkswagen Financial Services (UK) Limited has already made an offer to pay £750 to settle the complaint and I think this offer is fair in all the circumstances. So, my decision is that Volkswagen Financial Services (UK) Limited should pay £750. If Volkswagen Financial Services (UK) Limited has already paid this it doesn't need to do this again.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 14 August 2025.

Andy Burlinson
Ombudsman