

The complaint

Miss A complains that Volkswagen Financial Services (UK) Limited supplied her with a car that wasn't of satisfactory quality under a hire purchase agreement.

What happened

In August 2023, Miss A acquired a used car through a hire purchase agreement from Volkswagen. The car was around five years old and had travelled around 26,700 miles. The cash price of the car, including extras was £18,800. Miss A paid a deposit of £4,010.22 using a part exchange from an existing car (she also early settled an existing finance agreement with the same part exchange car). She was required to make 47 monthly repayments of £249.83 and there was an optional final payment of £7,831 if she wanted to take ownership of the car.

Miss A says she reported problems with the car to the supplying dealer within the first few days of having it. She says the dealer was reluctant to assist her with repairs. She says a manufacturer approved garage carried out a number of repairs on the dealer's behalf and she says this garage told her the car should not have been sold in the condition it was.

Miss A complained to Volkswagen in December 2023 and asked to reject the car. Volkswagen didn't respond to her complaint within eight weeks, so she referred her complaint to this service. Following this referral, Volkswagen issued its final response letter and made an offer to settle the complaint. This was to allow rejection of the car, end the finance agreement, refund Miss A's deposit, refund twenty percent of each monthly repayment she had made and pay her £150 compensation for the distress and inconvenience caused.

Miss A didn't think this offer was fair as she wanted a refund for everything she had paid towards the finance. Our investigator was of the view that Volkswagen's offer was fair and reasonable in the circumstances and didn't recommend that any further award was appropriate.

Miss A didn't agree with that outcome, so the complaint has been passed to me for a 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.

Miss A acquired the car under a hire purchase agreement and our service is able to consider complaints relating to these sorts of regulated consumer credit agreements. The Consumer Rights Act 2015 ("CRA") covers agreements like the one Miss A entered into.

The CRA implies terms into the agreement that the goods that are supplied are of satisfactory quality. Volkswagen is the "trader" for the purposes of the CRA and is responsible for dealing with a complaint about the quality of the car that was supplied.

Volkswagen has already accepted that the car wasn't of satisfactory quality when it was supplied. It has therefore allowed Miss A to exercise her right under the CRA to reject the car. I don't therefore need to make any substantive finding on the quality of the car as this is not in dispute. However, for completeness, I'm satisfied that the car wasn't of satisfactory quality and that allowing Miss A to reject the car is fair and reasonable in the circumstances.

Volkswagen has also agreed to end the finance agreement, refund Miss A's deposit of £4,010.22, twenty percent of all the monthly repayments she made and pay her £150 compensation for the distress and inconvenience caused to her. Miss A doesn't feel this goes far enough. So, what is left for me to decide is whether Volkswagen need to do more to put things right. Having considered this carefully, I don't think that it does.

I say this because Miss A has had use of the car during the seven months she had it in her possession and covered not insubstantial mileage in that time. I recognise her usage of the car was somewhat impaired by the issues the car experienced and her need to take it in for repair. However, I consider that Volkswagen's offer to refund her twenty percent of each monthly payment for impaired use and £150 compensation for the inconvenience and upset of taking the car for repairs adequately compensates her for those issues.

I don't consider it would be fair for Miss A to receive a refund of everything she has paid. Otherwise, she will have unfairly benefitted from having had free use of a car for over half a year. She would never have been in that position, as she would always have had to pay monthly payments towards a car (she settled a previous finance agreement early when entering into this one). Taking all the circumstances into account, I think Volkswagen's offer to put things right is fair and reasonable and I don't think it needs to do anything more.

My final decision

For the reasons given above, my decision is that Volkswagen Financial Services (UK) Limited have made a fair and reasonable offer to put things right. It should end the finance agreement, collect the car and pay the amounts it has offered to Miss A, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 6 March 2025.

Tero Hiltunen
Ombudsman