

The complaint

Mr H is unhappy that a car supplied to him under a hire purchase agreement with N.I.I.B. Group Limited trading as Northridge Finance ('Northridge') was of an unsatisfactory quality.

What happened

In October 2023, Mr H was supplied with a used car through a hire purchase agreement with Northridge. He paid an £18,000 deposit and the agreement was for £42,000 over 36 months; with 35 monthly payments of £427.96 and an optional final payment of £37,180. At the time of supply, the car was around three years old, and had done 12,467 miles.

Mr H started to have issues with the car from the day of collection, with warning messages about the dynamics driving system and the 4x4 system. The car was returned to the supplying dealership, who replaced a tyre and the brakes, but this didn't resolve the issue. So, the dealership replaced the transfer box, but again this didn't resolve the problem.

Given the ongoing issues, Mr H told the dealership that he wanted to reject the car in January 2024, and he told Northridge the same when he complained to them in February 2024. Despite this, further unsuccessful attempts to repair the car took place in March 2024.

Mr H wasn't happy with what'd happened, and he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator said that the car wasn't of a satisfactory quality when it was supplied to Mr H and attempts to fix the car had failed. So, given the circumstances, Mr H should now be allowed to reject the car. They said that the rejection should be backdated to 2 February 2024, with Mr H receiving a refund of his deposit and all payments he'd made since that date, as well as an additional £300 compensation for the distress and inconvenience he'd been caused.

Mr H didn't think the £300 compensation was fair, given the circumstances, and he said he was taxing and insuring a car he wasn't able to drive. The investigator considered Mr H's comments, and issued a revised opinion which increased the compensation to £450.

Mr H accepted this, but Northridge said that the dealership had offered to buy the car back from Mr H, with a deduction from the buyback price for depreciation. Based on when Northridge provided a settlement quote, it's likely this offer was made in April 2024.

The dealership also said that the faults with the car only occurred when the car was travelling at 80mph *"well above any legal limit in the UK ... we should not have even attempted to fix a vehicle that only shows issues over the national speed limit. Surely this is enough information to get this thrown out."* Finally, the dealership said that Mr H was an ex-employee and that the request to reject the car came at the same time he left their employment.

I issued a provisional decision on 19 February 2025, where I explained my intention to uphold the complaint. In that decision I said:

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. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

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 H was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

The Consumer Rights Act 2015 ('CRA') says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, Northridge are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history and its durability. Durability means that the components of the car must last a reasonable amount of time.

The CRA also implies that goods must conform to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless Northridge can show otherwise. So, if I thought the car was faulty when Mr H took possession of it, or that the car wasn't sufficiently durable, and this made the car not of a satisfactory quality, it'd be fair and reasonable to ask Northridge to put this right.

Before I explain why I've reached my decision, I think it's extremely important for me to set out exactly what I've been able to consider here. The dealership has made comments about Mr H's employment with them, and that they suspected he was using the courtesy car he'd been supplied with for commercial gain. While these have been noted, they are irrelevant to whether the car supplied to Mr H was of a satisfactory quality. As such, these comments haven't been considered as part of my decision. If the dealership believes that something illegal has happened, this is a matter for the courts, not this service.

Section 24(5) of the CRA says "a consumer who has ... the right to reject may only exercise [this] and may only do so in one of these situations – (a) after one repair or replacement, the goods do not conform to contract." This is known as the single chance of repair. And this applies to all issues with the goods, and to all repairs i.e., it's not a single chance of repair for the dealership AND a single chance of repair for Northridge – the first attempted repair is the single chance at repair. What's more, if a different fault arises after a previous repair, even if those faults aren't related, the single chance of repair has already happened – it's not a single chance of repair per fault.

I've seen evidence of the warning messages about the dynamic driving / 4x4 systems, which are dated the day Mr H collected the car. I've also seen the correspondence from the dealership about the repairs that took place to the car.

While I've noted the comments that the faults only occurred at 80mph, I haven't seen anything, for example job cards or an independent inspection, that show this was the case. The only reference to speeds is an email from the dealership, dated 4 January 2024, where they refer to faults occurring at speeds "between 60 – 80mph." As such, I'm not satisfied that the car was only faulty when driven above the national speed limit.

The CRA is clear that, if the single chance at repair fails, then Mr H has the right of rejection. Based on the evidence I've seen, I'm satisfied the single chance at repair failed, and that Mr H is still experiencing problems with the car. As such, he has the right to reject the car under section 24(5) of the CRA. He first requested this on 2 February 2024 when he complained to Northridge.

Mr H has confirmed that he was supplied with a courtesy car from 24 December 2023 to 20 March 2024, after which he returned this to the dealership. He's also provided an up-to-date mileage figure for the car, which is 20,920 miles. This means that the car has travelled 8,453 miles while it was in his possession (10 October to 24 December 2023 and 20 March 2024 to 19 February 2025 – a period of just over a year). Based on this, I'm satisfied that Mr H has had reasonable use of the car while it was in his possession.

As Mr H has been able to use the car while it's been in his possession, and while it was with the dealership for repair he was provided with a courtesy car, I think it's only fair that he pays for this usage. So, I disagree with the investigator's recommendation that he should receive a full refund of all the payments he's made since 2 February 2024. As Mr H has been able to use the car while it was in his possession, I don't intend to ask Northridge to refund any of the payments he's made.

However, I think Mr H should be compensated for the distress and inconvenience he was caused by the above. But crucially, this compensation must be fair and reasonable to both parties, falling in line with our service's approach to awards of this nature, which is set out clearly on our website and so, is publicly available.

I note our investigator also recommended Northridge pay Mr H an additional £450, to recognise the distress and inconvenience he's been caused by the complaint. And having considered this recommendation, I think it's a fair one that falls in line with our service's approach and what I would've directed, had it not already been put forward.

I think this is significant enough to recognise the worry and upset Mr H would've felt by having to arrange for the car to be repaired on multiple occasions, and by these repairs being unsuccessful. And I think it also fairly reflects the fact that Mr H was experiencing faults with the car at speeds in excess of 60mph. So, this is a payment I intend to ask Northridge to make.

Therefore, I intend to ask Northridge to:

- end the agreement with nothing more to pay;*
- collect the car at no cost to Mr H;*
- remove any adverse entries relating to this agreement from Mr H's credit file;*
- refund the deposit Mr H paid (if any part of this deposit is made up of funds paid through a dealer contribution, Northridge is entitled to retain that proportion of the deposit);*
- apply 8% simple yearly interest on the deposit refund, calculated from the date Mr H made the payment to the date of the refund[†]; and*
- pay Mr H an additional £450 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (Northridge must pay this compensation within 28 days of the date on which we tell them Mr H accepts my final decision. If they pay later than this date, Northridge must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).*

**If HM Revenue & Customs requires Northridge to take off tax from this interest, Northridge must give Mr H a certificate showing how much tax they've taken off if he asks for one.*

Responses

Mr H said that his employment was a separate matter to the issues he'd had with the car, which had started the day it was supplied to him. He explained that he'd had no choice but to use the car, and that he hadn't driven the car as often as he would usually have done so, because of the ongoing issues. Mr H also said that he paid for the car to be serviced, that he had renewed the warranty on the car, and that he'd had to pay for it to be maintained, while it was in his possession.

Mr H also explained that, while he agreed with the investigator's original opinion, he didn't agree with the provisional decision – he didn't think it was fair he was losing out on payments being refunded, and that the only way he would consider keeping the car is if the payments were refunded for the period when the car wasn't working correctly.

Northridge didn't respond to my provisional decision. As such, I'm taking their lack of comments to mean they don't object to my provisional 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.

I've considered the comments raised by Mr H. He believes the matter of his employment was separate to the issues with the car, which is what I said in my provisional decision. And, for the same reasons, this won't form part of the consideration for my final decision.

With regards to the payments Mr H has made, as he's explained, he has been using the car. While he's said that he hasn't used the car as much as he ordinarily would have, this doesn't mean that the car wasn't available for his use. In line with our standard approach to these matters, where someone has use of a car, we would expect them to pay for that use. Which, in this instance, means that I won't be expecting Northridge to refund any payments Mr H has made. I also wouldn't expect Northridge to charge Mr H for the fair usage he's had of the car – this is what the payments they've received from him covers.

With regards to the servicing and maintenance costs Mr H has raised, it's part of the agreement that he signed with Northridge that requires him to maintain the car in a good condition, and in line with manufacturer's requirements. This includes regular servicing. As Mr H has been in possession, and had the use of, the car for more than 12-months, I would expect him to have to arrange to service the car. As such, I won't be asking Northridge to refund these payments.

Finally, Mr H has said that he would only consider keeping the car if there was some form of a payment refund. My provisional decision was that Mr H was allowed to reject the car, and I've seen no compelling reasons why this should change – the car has still had multiple unsuccessful repair attempts and remains faulty. Given this, if Mr H wants to reject my final decision and keep the car, he will have to discuss any potential payment refunds directly with Northridge (something they are not obliged to agree to). This would not be something we would get involved in.

As such, for the reasons given, I will now adopt my provisional decision as my final decision, and Northridge need to do something to put things right.

Putting things right

For the reasons explained, if they haven't already, Northridge should:

- end the agreement with nothing more to pay;
- collect the car at no cost to Mr H;
- remove any adverse entries relating to this agreement from Mr H's credit file;
- refund the deposit Mr H paid (if any part of this deposit is made up of funds paid through a dealer contribution, Northridge is entitled to retain that proportion of the deposit);
- apply 8% simple yearly interest on the deposit refund, calculated from the date Mr H made the payment to the date of the refund[†]; and
- pay Mr H an additional £450 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (Northridge must pay this compensation within 28 days of the date on which we tell them Mr H accepts my final decision. If they pay later than this date, Northridge must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).

[†]If HM Revenue & Customs requires Northridge to take off tax from this interest, Northridge must give Mr H a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr H's complaint about N.I.I.B. Group Limited trading as Northridge Finance. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 April 2025.

Andrew Burford
Ombudsman