

The complaint

Mr A 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.

When I refer to what Mr A or Northridge have said or done, it should also be taken to include things said or done on their behalf.

What happened

I issued my provisional decision to both parties on 25 February 2025, which set out the background and my provisional findings on this complaint. My provisional decision said:

In September 2023, Mr A was supplied with a used car through a hire purchase agreement with Northridge. The car was first registered in May 2016 and the sales invoice confirmed it had travelled around 80,558 miles at the time of supply. The cash price of the car was £10,298 and he paid a deposit of £2,500. The amount of credit was for £7,798 and the duration of the agreement was 55 months; with 54 monthly payments of around £196 and a final payment of around £206.

Mr A says the engine management light (EML) illuminated within the first ten minutes of driving the car, and Northridge asked him to take it to the garage for inspection. He says there were no available appointments for three weeks and he was advised to drive and monitor the car in the meantime. Mr A didn't agree to this, so returned the car the following day and asked to reject it if it couldn't be repaired that day. He says he was advised he'd still need to wait for the next available appointment to have it looked at before he could reject it. Days later, Mr A noticed a leak underneath the car.

Mr A returned the car in October 2023 and complained to Northridge. Over a month later, it was still at the garage. He said being without a car was having a significant impact on his family, and he was making monthly payments and paying for insurance on a car he'd been unable to use, as well as incurring significant costs for alternative transportation. He reiterated that he wanted to reject the car and be refunded the money he'd paid towards the agreement. He also asked to be reimbursed for the expenses he'd incurred.

Northridge didn't respond to Mr A's complaint within eight weeks, so he referred his case to the Financial Ombudsman Service. Following this, in January 2024, Northridge wrote to him regarding the agreement going into arrears. The garage then confirmed they'd repaired the car and asked Mr A to collect it.

After being told he'd be charged £15 per night if he didn't collect the car, Mr A says he went to collect it on 21 February 2024. While he was there, they advised the EML was still on and so they would accept rejection of the car. Northridge refunded the deposit Mr A paid, but he maintained he should be compensated for the expenses he'd incurred, and distress and inconvenience caused to him over the four-month period.

Our Investigator reviewed matters and didn't agree Northridge should refund all the payments Mr A made towards the agreement, as he has had use of the car and therefore it's

fair that he pays for that. They also noted that Northridge offered him a courtesy car towards the end of November, so it wouldn't be reasonable to hold them responsible for loss of use from this point because Mr A declined this.

However, our Investigator didn't think Northridge had done enough to put things right for Mr A. They said, in addition to what they'd already offered to do, they should also:

- Refund one monthly payment for loss of use, plus 8% interest per annum from the date it was paid until the date of settlement.*
- Pay Mr A £200 compensation for the distress and inconvenience caused.*

Both Mr A and Northridge accepted the Investigator's recommendation. However, it took Northridge four months to respond, so it offered a further £100 compensation for the delay, which Mr A accepted.

Unfortunately, a further four months passed and Northridge still hadn't settled Mr A's complaint as agreed. So, the case was reopened and passed to me to decide.

Since the case was referred to me, Northridge has again offered to pay Mr A an additional £100 compensation for the further delay.

What I've provisionally 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.

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 taken into account 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 A was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr A 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 Mr A's case the car was used, with a cash price of around £10,298. It had covered around 80,558 miles and was around seven years old when he acquired it. So, the car had travelled a reasonable distance and it is reasonable to expect there to be some wear to it because of this use. I would have different expectations of it compared to a brand-new car. As with any car, there is an expectation 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, Northridge wouldn't be responsible for anything that was due to normal wear and tear whilst in Mr A's possession.

However, where it's found that a car was faulty at point of sale, 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 the finance provider, in this case Northridge, to put this right.

In this instance, it's not disputed there was a fault on the car, nor that the car wasn't of satisfactory quality because of this fault. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision because both parties agree that the car was of unsatisfactory quality at the point of supply. Instead, I'll focus on what I think Northridge should do to put things right.

Both Mr A and Northridge accepted the Investigator's recommendation. It's disappointing to see that, after a four-month delay in responding to the Investigator's view, Northridge hasn't settled this complaint as agreed in October 2024.

I've considered what the Investigator has previously set out, and the subsequent offers made by Northridge for the delays caused. However, I'm required to reach my own findings having reviewed the complaint independently. So, I've considered and set out what I consider to be fair redress due to Mr A.

Deposit

In September 2023, Mr A paid a £500 holding deposit and the remaining £2,000 deposit days later. Northridge has refunded the full £2,500 deposit Mr A paid towards the agreement. But I consider Mr A to have been deprived of this money given the minimal use he actually had from the car. Northridge should therefore pay interest on this amount from the date each payment was made until the date they were refunded. I'll cover this in more detail later.

Payments

Northridge has agreed to refund one monthly payment, as recommended by the Investigator. Having carefully considered the circumstances of this complaint, I don't think this fairly reflects the impact caused to Mr A. I'll explain why.

While the car was being repaired, Mr A was without it for four months. He cancelled his direct debit in November 2023, but up until then he was paying for goods he was unable to use. He also says he wasn't offered a courtesy car until the end of November 2023, which hasn't been disputed by Northridge. So, as the car was off the road due to it being of an unsatisfactory quality when it was supplied, and Northridge failed to keep Mr A mobile; I agree it should refund the payment Mr A made for that month.

But I've also considered that Mr A says the EML illuminated on the same day he collected the car, and within 10 minutes of driving it. While I've seen no evidence of the fault, the miles Mr A was able to cover before it presented, or Mr A reporting this to the dealership – it's not disputed that the fault was present and reported within days of Mr A collecting the car. Mr A was not willing to accept the advice of the dealership to continue driving the car for three weeks until they could look at it, so he returned it to the dealership the following day. He says he was told he had to take it back after three days and wait for his appointment. Then days later, he found a leak under the car – and didn't use the car again from this date.

I'm satisfied it was reasonable for Mr A to not use the car while awaiting repairs, given his understandable concerns about an undiagnosed engine issue and leak. And without any

evidence of the milage when the car went in for repairs in late October 2023, I consider, on balance, it more likely than not that any usage Mr A did have within the days before he stopped using it would've been very minimal.

The CRA provides a short term right to reject the car within the first 30 days if the car was of unsatisfactory quality. Mr A expressed his wish to reject the car to Northridge in writing on 4 October 2023, if the dealership was unable to repair the car by the following day. This was within the first 30 days of the agreement. Mr A says he also asked the dealership to reject the car the following day when they told him they couldn't look at the car for another three weeks – but was told he had to wait for them to look at it before he could reject it.

While the dealership went ahead with the repairs, I haven't seen any evidence of Mr A agreeing to this. What I have seen, within his emails to the dealership, is Mr A asking for the car back so he could reject it, which is consistent with his testimony. Mr A told our Investigator he didn't accept the courtesy car due to concerns it would impact his right to reject the car. He also didn't want to collect the car following it being repaired, for the same reason. So, based on the information that is available, I'm satisfied Mr A was trying to exercise his short term right to reject and made this clear.

I think it's also worth noting that there was an expectation under the CRA for the repairs to be carried out within a reasonable time and without significant inconvenience to Mr A – which I don't think happened here. Mr A had to wait over three weeks for his car to even be looked at, and four months for the repairs to be completed. Mr A was then asked to return to the dealership to collect the car, only to be told while he was there that the repairs had failed.

With all the above in mind, I think it's reasonable that Northridge refund all monthly payments Mr A made towards the agreement, and write off any arrears accrued after he cancelled his direct debit.

Additional expenses

Mr A says he and his family incurred additional travel costs due to not having use of the car, but didn't keep the receipts. As I haven't seen any evidence of the additional travel costs Mr A says he incurred as a result of being supplied with a car that wasn't of satisfactory quality – I can't reasonably ask Northridge to pay for this.

Mr A has shown he paid £76.06 to cancel his insurance in January 2024. I've considered that Mr A would've needed to pay to insure any car in his possession. However, I think it's more likely than not he wouldn't have incurred the cost to cancel the insurance policy had the car been of a satisfactory quality. So, given this was directly related to the car not being of a satisfactory quality when supplied, I think it's fair that Northridge refund this.

Mr A has also shown he took out a second insurance policy, after being told he needed to collect the car in February 2024. This was then cancelled the following day. Mr A received a pro-rata refund after cancelling, but paid £42.69 for his time on cover. It's clear Mr A took out the insurance to be covered when he collected the car, but he never actually took the car away from the garage due to the fault not being repaired when he arrived. I'm satisfied the dealership should've been aware the repair had failed before asking Mr A to collect the car, and had they accepted rejection when they should have, Mr A wouldn't have incurred this cost for the second insurance policy. So, I think Northridge should also refund this to Mr A.

Interest

To reflect the time Mr A was without access to the sums of money mentioned above, interest should be added to each of the refunded amounts from the date of each payment until the

date of settlement. Interest should be calculated at 8% simple per year. This is because it is fair and reasonable that Mr A should be compensated for being deprived of the money – that is, not having it available to use.

Distress and inconvenience

Northridge agreed to pay Mr A £200 compensation on the recommendation of the Investigator. They've since agreed to increase this to £400 to reflect the further distress and inconvenience caused by their delay in settling Mr A's complaint.

As mentioned above, I've considered that Mr A was inconvenienced by having to wait three weeks for his car to be looked at, during which he was left with a car he was reluctant to use given the undiagnosed issues with it. Then after returning the car in October 2023, he was without a car for around four months. Had Northridge accepted rejection in October 2023, when Mr A exercised his right to short-term rejection, he would've been in a position to acquire another car much sooner. As this didn't happen, and he was relying on a car for work and family commitments, I'm satisfied Mr A was caused inconvenience over a prolonged period.

So, I agree Northridge should pay him compensation to reflect the distress and inconvenience caused by being supplied with a car that was not of a satisfactory quality. And having carefully considered the impact caused to Mr A, I'm satisfied the overall offer of £400 compensation is reasonable - and within our award ranges for situations such as this.

Responses to my provisional decision

Mr A accepted my provisional decision and offered no further comments or submissions for my consideration. Northridge didn't respond.

However, both parties confirmed the £400 compensation had now been paid and received by Mr A. Mr A also confirmed he received a refund of the two monthly payments he made towards the agreement in April 2024.

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.

As there are no further submissions for me to consider in relation to this matter, I see no reason to alter the conclusions reached in my provisional decision.

That is, Mr A was supplied with a car that wasn't of a satisfactory quality and Northridge didn't do enough to put things right for Mr A - and they should now do so as set out above.

My final decision

For the reasons I've set out above, my final decision is that I uphold Mr A's complaint. In addition to what Northridge has already paid, I direct them to pay Mr A:

- £76.06 for the insurance cancellation fee;
- £42.69 for the second insurance policy;
- 8% simple yearly interest on all refunded amounts including the deposit, monthly payments, insurance cancellation fee and second insurance premium – calculated from the date Mr A made each payment to the date of the refund†; and
- Remove any adverse information recorded on Mr A's credit file in relation to this

credit agreement, and the credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as voluntary termination.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 April 2025.

Nicola Bastin
Ombudsman