DRN-5425173

The complaint

Miss A complains about a car supplied under a hire purchase agreement, provided by Tandem Motor Finance Limited ('TMF').

What happened

Around July 2024 Miss A acquired a used car under a hire purchase agreement with TMF. The car is listed with a cash price of £27,495 on the agreement, was approaching four years old and Miss A said it had covered around 51,260 miles. The agreement shows Miss A paid a deposit of £1,703.

Unfortunately, Miss A says the car developed issues. She said on the way home from collecting it, various warnings appeared on the dash in relation to the car's rear lights. She says she took the car to have bulbs replaced but was told there was an issue with the LED units which weren't functioning.

Miss A says she spoke to the dealer and asked to reject the car. She says she provided evidence to it of a fault with the lights, but was told it should have the opportunity to repair the car. Miss A says a battery was replaced, but this didn't resolve things.

Miss A complained to TMF in August 2024.

An independent inspection was carried out on 15 September 2024. The mileage was noted as 51,641. This said the rear light units were not working and there was a permanent warning light displayed on the dashboard.

TMF issued a final response to the complaint in October 2024. This said, in summary, that it was upholding the complaint and it was going to "*unwind the deal". It said Miss A should contact the broker of the finance to receive her deposit back. And it said it would pay her £250 as a gesture of goodwill.

Miss A referred the complaint to our service. She said the situation had affected her mentally and physically. She said she had to pay a friend £100 a week to use their car. She said she lost earnings when she had to take the car to be inspected. And she said she'd only driven the car home and then to diagnostics or attempted repairs and otherwise hadn't used it.

Miss A said she should be reimbursed her deposit of £2,550, the cost of a taxi of £30.90, the monthly repayments made, her insurance costs of £226.55 and the cost of taxing the car which she said was £330.

TMF got in touch with our service and explained *"the unwind was completed on 8 November 2024".*

Miss A confirmed she received a deposit of £2,550 on 8 November 2024 and a refund of payments under the agreement of £1,248.78 on the same day.

Our investigator issued a view and upheld the complaint. She said she thought the car was not of satisfactory quality when supplied due to the issue with the rear lights.

She said the car had been rejected and the monthly payments Miss A made towards the agreement reimbursed. She said she didn't think it was fair for Miss A to get back the £100 a week she'd paid her friend, as this would make her better off than if she didn't take out the finance.

She also explained she didn't think Miss A should get back the cost of the tax nor insurance for the car she'd paid.

But our investigator said TMF should pay 8% simple interest on the payments that had been reimbursed to Miss A to account for the time she didn't have the funds.

Miss A replied and said she wanted to know the exact figure this would come to. Our investigator explained that our service would not calculate this.

TMF responded and explained that it didn't believe there was any requirement to offer 8% interest when an agreement was unwound and it said this was excessive.

As neither Miss A nor TMF accepted the investigator's view, the case has been passed to me to decide.

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.

Having done so, I think this complaint should be upheld. I'll explain why.

Miss A complains about a car supplied under a hire purchase agreement. Entering into regulated consumer credit contracts such as this as a lender is a regulated activity, so I'm satisfied I can consider Miss A's complaint against TMF.

When considering what's fair and reasonable, I take into account relevant law, guidance and regulations. The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. This says, in summary, that under a contract to supply goods, the supplier – TMF here – needed to make sure the goods were of 'satisfactory quality'.

Satisfactory quality is what a reasonable person would expect, taking into account any relevant factors. I'm satisfied a court would consider relevant factors, amongst others, to include the car's age, price, mileage and description.

So, in this case I'll consider that the car was used. This means I think a reasonable person wouldn't expect it to be in the same condition as a new car. But, I think they would expect it to be free from anything other than minor faults and would expect trouble free motoring for some time.

In this case, all parties agree that the car wasn't of satisfactory quality. So, I don't need to go into detail here. Briefly, I'm satisfied Miss A was supplied with a car where the rear lights didn't work. And I think it's obvious that a reasonable person would find this meant the car was of unsatisfactory quality.

What is in dispute in this case is whether TMF needs to do anything further to put things right, or if it has already done enough.

I'm satisfied under the CRA, Miss A had the final right to reject the car. It's been confirmed the car has been returned and the deposit reimbursed, along with the monthly payments Miss A made to the agreement. So, in broad terms, I'm satisfied her rights under the CRA have been met.

Miss A told our service she wanted her insurance premiums back. But the car insurance policy was there to mitigate risk to Miss A. She still had the benefit of this, even though the car was of unsatisfactory quality. So, I find it isn't reasonable for TMF to reimburse this.

Miss A also requested her car tax to be returned. But, as far as I'm aware, Miss A didn't declare the car off road, so she needed to tax the car. She also would've had to cover this cost whether the car was of satisfactory quality or not. So, I'm not persuaded she should get this back.

Miss A told our service she was paying a friend £100 a week for the use of a car. But I'm satisfied the reimbursement of monthly payments from TMF will cover her transport costs from the time, including this amount and the taxi she mentioned. So TMF needs to take no further action on this point.

I agree Miss A was caused distress and inconvenience because of what went wrong. I think it must have been upsetting to realise the car had an issue as soon as she got it, and she's had to take time out to organise diagnostics and attempted repairs. I want to reassure Miss A that I've carefully considered everything she said here, and I was sorry to read about the impact on her health.

Having thought about this, I'm satisfied the £250 already paid by TMF is broadly similar to what I would've recommended to put things right under the circumstances. So, I don't think it needs to pay anything further.

What I think is the main point of dispute here is whether TMF should pay 8% interest on the payments Miss A was reimbursed as our investigator recommended.

In very basic terms, I'd think it would be reasonable to award interest on any amount that Miss A wrongly had to pay, and so didn't have funds available to use where she should have.

In this case, I don't think Miss A should've been supplied with a car of unsatisfactory quality. This means I don't think she should've paid the deposit for this nor the monthly payments towards it, given she didn't use the car. And so, I'm satisfied she didn't have these funds to use when she should have.

It follows this that I agree with our investigator that it would be reasonable for TMF to pay interest on the deposit and monthly payments.

I've considered that TMF said 8% was excessive, however this figure is from a long-standing approach our service has, and I'm satisfied it fairly reflects an amount to compensate Miss A for being deprived of the funds.

I want to reassure TMF I've carefully thought about what else it said in response to this issue, but this doesn't change my opinion.

I also want to reassure Miss A that I've carefully thought about all the other points made. But I'm satisfied apart from the 8% recommended above, what TMF did to put things right was fair and reasonable under the circumstances.

My final decision

My final decision is that I uphold this complaint.

I instruct Tandem Motor Finance Limited to put things right by paying Miss A 8% simple interest from the time of payment to the time of reimbursement on the deposit* and the monthly repayments reimbursed under this agreement.

If TMF considers that it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Miss A how much it's taken off. It should also give Miss A a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue and Customs if appropriate.

**the figure on the agreement for this amount is different from the figure Miss A explained was returned to her by the broker. So TMF will likely need to confirm this with the broker when it works out the amount due.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 3 September 2025.

John Bower
Ombudsman