

The complaint

Mr C complains that a car supplied to him under a hire purchase agreement with Volkswagen Financial Services (UK) Limited (VWFS) is of unsatisfactory quality.

What happened

The circumstances surrounding this complaint and my initial findings were set out in my provisional decision which said:

In March 2023 Mr C entered into a hire purchase agreement with VWFS to acquire a Brand-new car, with the vehicle being delivered in early April 2023. The cash price of the car was £36,073.75 with an advance payment of £6,250.00 being paid, including a dealer contribution of around £1,749.99. The total amount payable on the agreement was £40,541.92, payable over 47 months. This was made up of 47 monthly repayments of £347.86, with a final repayment of £17,932.50 being due 47 months after the date of the first payment. If Mr C wanted to purchase the vehicle at the end of the agreement there would be a fee of £10 added to the final payment.

Later in April 2023, Mr C says he found the car was having issues with the cameras. A software update was attempted to try to rectify this issue in May 2023. In June and July 2023, Mr C says there were further issues and investigations to do with the cameras, and these again needed fixing. It became apparent that the issues couldn't be rectified at this time, and the required parts were ordered to try to sort the problem.

In August 2023, Mr C raised a complaint with VWFS about the situation. After some time had passed, and the vehicle still hadn't had the repair needed, VWFS responded to Mr C's complaint. As the repair still couldn't be completed, VWFS upheld the complaint, and offered to support rejection of the vehicle, with 20% of the monthly payments towards the agreement to be returned to Mr C, alongside refunding his initial deposit paid.

Mr C was unhappy with this response and brought the complaint to this service, where it was passed to one of our investigators.

The investigator didn't uphold the complaint. He agreed with the offer VWFS had made in their final response and didn't think VWFS needed to do anything differently to put things right.

Mr C didn't agree so I've been asked to review the complaint to make a decision. As a note, I can see Mr C raised questions about an invoice for the cost of cleaning the vehicle and excess mileage upon collection of the vehicle after the referral of this complaint to VWFS. The investigator explained that as VWFS haven't had a chance to respond to this complaint it won't be included in their outcome. Whilst I will comment on the discussion around the excess mileage, I won't be making a finding on if the excess mileage or cleaning cost is fair in this decision as this has not formed part of this complaint.

I sent Mr C and VWFS my provisional decision on 13 March 2025. I explained why I thought the complaint should be upheld. The key parts of my provisional findings are copied below:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr C acquired a car under a hire purchase agreement. Entering into consumer credit contracts like this is a regulated activity, so I'm satisfied we can consider Mr C's complaint about VWFS. VWFS is also the supplier of the goods under this type of agreement meaning they are responsible for a complaint about the supply of the car and its quality.

The Consumer Rights Act 2015 (CRA) is relevant in this case. It says that under a contract to supply goods, there is an implied term that "the quality of the goods is satisfactory, fit for purpose and as described". To be considered as satisfactory, the CRA says the goods 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 vehicle's history.

In this case, Mr C acquired a car that was brand-new. As this was a brand-new car, it's reasonable to expect Mr C would be able to use it free from defects for a considerable period of time. As such, it should be held to a higher standard than a used car that may have already been more road-worn.

I've reviewed the available evidence about the issues Mr C experienced with the car. Based on what I've seen, I'm satisfied that there was a fault with the car. I say this because neither VWFS nor Mr C dispute the vehicle is faulty. VWFS have agreed there are faults with the camera system, and these were not able to be repaired within a reasonable timeframe and after multiple attempts to fix the issues. Having considered the car had a fault, I've considered whether it was of satisfactory quality at the time of supply.

Mr C explained he first reported a problem to VWFS in April 2023, a few weeks after taking delivery of the vehicle due to the cameras not working. Mr C said the earliest the car could be assessed was early May 2023.

When the car was assessed, VWFS explained a software update was performed to try to rectify the problem. Mr C said a new part needed to be ordered, and this was then booked to be fitted in June 2023.

Mr C explained he took his car to the repairer in June 2023 as booked. He said he was told the new part would fix the issue with the cameras. However, he said when he picked the vehicle back up, the cameras went blank and wouldn't work again the same day.

The car was booked again for another assessment, and Mr C says he was told the car again needed a new part to fix the issue. VWFS say in their final response that the vehicle was seen on 17 and 20 July 2023. There was no estimation on when this part would be available, and the car never received this fix before the complaint was upheld by VWFS, with the car being collected in January 2024.

I agree with VWFS that the car was not of satisfactory quality when it was supplied, and that the fairest resolution here was to allow rejection of the vehicle. I say this because the issue with the cameras happened so soon after the purchase of a brand-new vehicle, where a reasonable person could expect to use this car free from defects within this time and this issue was not able to be fixed in a reasonable timeframe by VWFS. I'm persuaded that this shows the car was not of satisfactory quality when it was supplied.

I invited both parties to make any further comments. Mr C responded to say he was happy with my provisional decision and just wanted clarification on a couple of points of redress

which I'll explain later in the decision. VWFS did not respond. Now both sides have had an opportunity to comment, I can go ahead with my final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As neither party responded to my provisional findings with any further information to be considered, I see no reason to depart from them above. I've copied below what I provisionally decided VWFS need to do to put things right. As I received no further information or comments that may affect this, this has also not changed.

Putting things right

As I've concluded the car was not of satisfactory quality when it was supplied, I think it's reasonable that VWFS should put things right.

However, I'm not satisfied that VWFS have done enough to put things right in their final response to the complaint.

I agree with the rejection of the vehicle, with it being collected in January 2024.

I acknowledge Mr C was unhappy with how long it took from identifying the issues, with Mr C having to make a complaint in August about how long these were taking to sort, to VWFS eventually agreeing to the rejection of the vehicle. I acknowledge Mr C's frustrations with this, and his reasons for wanting some full monthly rental payments back due to the length of time taken to resolve the complaint, but I don't think he should be due back more than the 20% offered on the monthly rental payments he made.

I acknowledge Mr C was also unhappy with the handling of his complaint by VWFS and the length of time it took to get an answer. As complaint handling is not a regulated activity, I'm unable to consider this aspect.

It looks to me as though Mr C has been able to use the vehicle to a reasonable level until it was collected by VWFS as part of the rejection, even with the issues the car had. I say this because I can see Mr C's expected mileage according to the agreement would be 4,728 in January according to VWFS' final response, and at the point the car was assessed around July 2023 to try to fix the issues, Mr C had already travelled 4,452 miles according to VWFS. I can also see there have been discussions around excess mileage charges at the end of the agreement between Mr C and VWFS. The agreement shows an annual mileage allowance of 6,000 miles, with Mr C quoting an excess mileage figure in an email potentially around 4,000 miles. Mr C has also explained in an email to VWFS that he has been paying for a car he hasn't really enjoyed. I'm persuaded that whilst the car did have issues, Mr C was still able to use this vehicle to a reasonable level. This is why I don't agree that some full monthly rentals should be repaid.

Having said this, I do think it is appropriate that VWFS do return 20% of the monthly rental payments made, as an acknowledgement that Mr C did have impaired usage of the car. He's explained in his complaint that the camera systems were important, and I do agree this would have caused some issues for him whilst owning a vehicle he had waited for some time to take ownership of.

I agree that VWFS were right to return Mr C's deposit paid less any dealer contribution under the agreement as part of the rejection process.

Mr C has explained he also bought a service plan for this vehicle that became worthless as he could no longer use it. Whilst this was not part of the agreement, I do think this is a consequential loss suffered by Mr C, and I'm persuaded that he has suffered this loss due to VWFS providing him with a car that was of unsatisfactory quality. If the vehicle had been of satisfactory quality, Mr C may well have been able to use the service plan as intended and gained the value out of it, alternatively if Mr C hadn't entered into this agreement, it seems unlikely he'd have bought the service plan without it. As such it is fair for VWFS to reimburse him the cost of any unused part of this plan if Mr C can evidence the cost of it.

I've also considered the impact these events had on Mr C. I can see there have been times where Mr C was without his vehicle, times where the vehicle had to be taken in for assessment and repairs, and ultimately these repairs failing, with Mr C trying to get answers to what is happening with his vehicle over an extended period. This will have undoubtedly caused him stress and concern, as well as inconvenience at times alongside having to arrange alternative transport and suffer the repeated issues with the vehicle after assessments and attempted repairs alongside not being able to find answers as to when this would be repaired. I acknowledge Mr C's point around how long he had to wait for the vehicle before he was able to take delivery of it, and whilst this doesn't factor into a distress and inconvenience award, I acknowledge why it has caused greater frustration with the issues surrounding the vehicle.

It is fair for the reasons explained above, for VWFS to pay Mr C £250 for distress and inconvenience caused.

VWFS will also be required to pay 8% simple interest on some of the redress mentioned above – which I'll outline in my final decision section below. However, Mr C asked for clarification on a couple of points. I can confirm that VWFS will be required to pay interest from the date of payment of deposit to the date of the refund paid. The interest payment requirement also applies to the service plan.

My final decision

My final decision is I uphold Mr C's complaint and instruct Volkswagen Financial Services (UK) Limited to do the following:

Treat the vehicle as rejected in line with what has already been arranged.

- Refund 20% of Mr C's rental payments paid if not already repaid to Mr C.
- Refund the deposit paid by Mr C towards the agreement if not already repaid. Volkswagen Financial Services (UK) Limited is entitled to retain any part of the deposit made up by a dealer contribution.
- Refund the cost of the service agreement after the costs have been evidenced by Mr C.
- Pay 8% simple yearly interest* on the above, to be calculated from when Mr C made the payments to the date of the refund.
- Pay Mr C £250 for the distress and inconvenience caused.

*HM Revenue & Customs requires Volkswagen Financial Services (UK) Limited to deduct tax from the interest amount. Volkswagen Financial Services (UK) Limited should give Mr C a certificate showing how much tax it has deducted if he asks for one. Mr C can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 April 2025.

Jack Evans
Ombudsman