

The complaint

Ms W complains about the quality of a car supplied to her by N.I.I.B. Group Limited trading as Northridge Finance ('NF').

What happened

The parties are familiar with the background details of this complaint – so I will briefly summarise them here. It reflects my role resolving disputes with minimum formality.

Ms W was supplied a car on hire-purchase by NF at the end of October 2023. She says that the car had electrical issues from an early stage which have not been resolved to date. She would like to reject the car.

A complaint about the car reached this service. Our investigator said due to the many times the car has been repaired Ms W should be compensated £500 for the distress and inconvenience caused. And she should get a pro-rated refund of days she was without the car while it was being repaired.

Ms W has asked for an ombudsman to look at things to make a final decision. In summary, she disagrees with the proposed resolution and says that the issues with the car are ongoing.

I issued a provisional decision on this case which said:

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

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider to have been good industry practice at the relevant time.

The agreement in this case is a regulated consumer credit agreement. As such, this service is able to consider complaints relating to it. NF is also the supplier of the goods under this type of agreement, and responsible for a complaint about their quality.

The Consumer Rights Act 2015 is of particular relevance to this complaint. It says that under a contract to supply goods, there is an implied term that "the quality of the goods is satisfactory".

The Consumer Rights Act 2015 says the quality of goods are satisfactory if they meet the standard that a reasonable person would consider satisfactory taking into account 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 take into account might include things like the age and mileage at the time of sale and the vehicle's

history.

The Consumer Rights Act 2015 ('CRA from now on') says the quality of the goods includes their general state and condition and other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability can be aspects of the quality of goods.

NF supplied Ms W with a second-hand car that was less than 3 years old and had done around 15,000 miles at the point of supply. The dealer priced it at around £28,000. Although the car was used, and would be expected to have suffered some wear and tear, I consider that in the circumstances here (noting the car had relatively low use, was quite young, and not inexpensive) a reasonable person would have high expectations around quality. And would not expect anything other than minor wear and tear issues for a notable period.

In the particular circumstances, I don't consider a reasonable person would be expecting this car to show signs of electrical problems at an early stage. Unfortunately that is what appears to have occurred here.

Ms W has provided detailed and credible testimony about the timeline of issues with the car – and I can see she has provided photos of fault codes which appeared on the dashboard as early as November 2023, just a few weeks into using the car. She also says around this time the headlights of the car were not lighting as expected. I can see a job sheet from 28 November 2023 from a main dealer which confirms fault codes were present and diagnoses the issue as requiring a 'TCU UPDATE'. The job sheet says such a software update had been applied.

However, this was not the end of the electrical issues including error codes and problems with the headlights. Ms W says these continued shortly after getting the car back, and to add to this the display screen in the car kept freezing and shutting off too. I can see on 11 January 2024 the car went into the main dealer again and although no fault was found with the lights the dealer appeared to confirm that the display screen kept shutting off. A software update was applied in an attempt fix the issue.

Ms W says this didn't resolve the issues with the car – and she continued to get error codes appearing on the dashboard. She has provided pictures to show an example of an error message that appeared at the time. It features alarming language such as 'emergency' and 'malfunction'. So I can see why Ms W would have been concerned with this.

From a main dealer job sheet I can see that the car went in once again for investigation on 14 March 2024. Although it isn't clear what issues were found, I note further software updates were applied. I can also see that adjustments were made to the headlights at the time. And while it isn't clear, this seems like it would be in recognition of the ongoing headlight issues Ms W had been complaining about (I also note that diagnostics carried out at a later date confirmed error codes relating to 'adaptive headlamps'- further reinforcing that there were underlying issues with these).

Modern cars rely on complex computer systems and it is reasonably expected that the occasional software error might occur or an update will be required. It won't necessarily render a car of unsatisfactory quality. However, by this stage it is clear the car had required three software updates within the first 6 months of use to address issues with persistent error codes (and apparent issues with unexpected behaviour from headlamps and the in car display). That doesn't seem normal or reasonably expected– particularly in a young, and relatively low mileage car like this one. So overall, at this stage it would appear the car was not of satisfactory quality and the faults gave rise to a remedy under the CRA.

I note an available remedy under the CRA is repair. And by this point the car had already been in three times to the dealer in an attempt to address ongoing fault codes/electrical issues. In the circumstances, I consider it is fair to say the car had effectively been repaired more than once for the purposes of the CRA. While Ms W explains these issues were 'irritating' she seemed open to accepting repairs at the time – rather than rejecting the car. So, on the face of it, repairs were not an unreasonable option here. However, I am conscious that after one opportunity to repair has been granted and failed – a consumer has the right to reject a car under the CRA. And, in light of subsequent events, this needs to be kept in mind when considering what is ultimately fair to put things right.

Despite the three software updates Ms W describes a highly distressing incident involving the car that occurred on 7 May 2024. She says the car went into 'limp mode' and came to an abrupt halt with numerous fault messages showing on the dashboard relating to malfunctions. She says while the car was being driven back it started to accelerate of its own accord. Ms W says there is dashcam footage available of this. I don't think she sent it to this service – but her testimony is credible and no party appears to be disputing what occurred. I also note that Ms W has provided a diagnostic showing the car systems had logged numerous fault codes on 7 and 8 May 2024 relating to the failure of control modules relating to many facets of the car including brake system, power steering, powertrain and more. I also note that this diagnostic shows numerous error codes with the car dating back 60 days from 8 May 2024. This report shows the car has consistently been suffering from electrical errors, in particular a repeated error relating to lost communication with a data gateway.

After the issue with the car on 7 May 2024 it appears the dealer investigated and identified that further software updates were required to address the problems.

From the job sheet dated 16 May 2024 I can see the dealer confirmed multiple warning lights were present on the dashboard and then applied software updates. On the face of it this all appears to be a continuation of the ongoing electrical errors and attempts to remedy these that had occurred since an early stage.

I consider at this stage Ms W had a clear right to reject the car under the CRA. And looking at the communication that followed the software updates in May between the dealer and Ms W's family member (acting on her behalf) – I don't consider it fair to say that Ms W accepted repair over rejection. It's quite clear that Ms W had serious concerns about the safety of the car at this stage and wanted to reject it unless specific assurances about safety could be provided. It appears these were not provided (nor do I see how they realistically could have been) and Ms W says that she effectively took the car back under protest. Her subsequent actions in barely driving the car for months afterwards are also consistent with someone who wanted to reject it rather than someone who was willingly accepting repairs. So prima facie, noting what has occurred here I consider that Ms W now has the right to hand back the car under the CRA and NF should honour this as the supplier of the car.

Even if NF were to argue that Ms W willingly accepted repairs over rejection of the car in May 2024 I also note she has provided persuasive evidence (such as dashboard pictures of error messages from June and July 2024) to show that since the repairs in May 2024 the car has continued to exhibit electrical issues– similar or identical to those that had appeared in the past. This indicates to me the software updates carried out in May 2024 did not work. This in any event would fairly now give Ms W a right to reject the car.

I know Ms W started to drive the car regularly around the start of January 2025 after having the battery replaced and following an expert inspection ('Inspection A') carried out in December 2024 which didn't clearly identify an ongoing concern and suggested there were fault codes relating to the battery. However, I don't consider this should fairly mean Ms W

can't reject the car now. I am not persuaded the battery has fixed the problems or that it was the underlying issue all along. I say this because:

- Inspection A confirms there 'were multiple diagnostic fault codes in multiple systems' at the time of inspection.
- Inspection A confirms there were fault codes relating to the battery but it does not persuasively explain how all the fault codes (or history of electrical issues) relate to the battery rather than some other underlying problem.
- Inspection A does not rule out a wider underlying problem with the car and recommends that the fault codes are re-scanned in the future which will 'assist in determining any underlying issues that are present'.
- Ms W has since reported further issues with the car (and despite changing the battery) including the interactive screen turning off during driving (something she had issues with earlier on).
- Ms W has provided diagnostics which persuasively show that (despite changing the battery) the car continues to have numerous and frequent underlying fault codes including those which have appeared in the past such as the car losing communication with a particular 'serial data gateway module'.
- Ms W has provided a screenshot of her car showing the last software update applied was in March 2024 – which adds further question marks over the nature of the repairs that were claimed to have been carried out in May 2024.

Ms W has recently received communication about a serious safety issue relating to her car electrical/power system. It appears that engineers are working on a software update to remedy the issue which the notice describes as dangerous. It isn't clear if this issue is related to the ongoing electrical issues Ms W has been experiencing to date. And I consider she has the right to reject the car regardless of this. But I consider this is an additional factor as to why it is now fair and reasonable for Ms W to be able to exercise her right to reject this car.

In summary, Ms W was supplied a car by NF which I consider had underlying electrical issues from an early stage which I am persuaded render it of unsatisfactory quality. And in the circumstances I now consider it fair she can reject the car. I now turn to fair redress.

Before going on to redress I want to make it clear that this isn't a scientific exercise. But I will do my best to propose a resolution that is broadly fair in the circumstances.

I consider NF should take back the car at no further cost to Ms W and end the finance agreement without any adverse entry on her credit file. It should also refund her deposit contribution (which I understand was a part exchange allowance).

Ms W has been using the car – so my starting point is she should pay for this use. However, I can see there were periods she wasn't using the car when it was in for repairs or not driven because of the history of faults.

Based on the job sheets I have and Ms W's testimony I am persuaded the car was in for repairs around eight days in total over various dates. Ms W says she was initially given a complimentary courtesy car but after this had to pay for one (from the repairs in January 2024).

Ms W also says she didn't use the car after the incident in May 2024 until January 2025 (apart from some short use to look for a replacement car). I consider Ms W stopping use of the car was not unreasonable in the circumstances here considering her valid concerns about safety and also it is consistent with her reasonable desire to reject the car at this

stage. I also note that mileage of the car from May 2024 to the MOT on 17 January 2025 is consistent with what Ms W has said. From what I have seen a picture shows the mileage on 7 May 2024 was 21,319 and on 17 January 2025 (via the MOT details) its 21,391. So, minor use in this period.

All things considered I think it fair that NF reimburse Ms W for all monthly rentals from 7 May 2024 to 17 January 2025 with out of pocket interest. They should also provide an additional reimbursement of seven days rentals for the other periods Ms W could not use the car due to repairs (but no interest on this to balance out the small use Ms W had of the car in the period from May 2024 to January 2025).

Ms W has claimed for costs related to taxing and insuring other vehicles during the period she wasn't using the financed car. I think she would always have had some tax and insurance costs for use of a car during this period so I don't propose to reimburse her for these costs. However, it is unreasonable if she is forced to pay tax and insurance on a car she has not had benefit from. So as long as Ms W provides confirmation to NF that the financed car was taxed and insured from 7 May 2024 to 17 January 2025 it should provide her with a suitably pro-rated refund of those costs to cover this period.

Ms W has also claimed the cost of Inspection A. I consider this report is a consequence of the inherent faults with the car so Ms W should fairly get back its cost.

Ms W has claimed a £114 charge for a diagnostic/software update carried out in May 2024. This appears directly related to attempting to solve the ongoing issues with the car (and I have seen the receipt for this) so Ms W should fairly get this back.

Ms W has paid for a replacement battery for the car. From what I can see Ms W changed it because at one point the dealer suggested to her that it might be necessary due to some fault codes related to the battery. However, the evidence overall is not persuasive in showing the battery was the root cause of the issues here – so it might not have needed replacing. And even if it did – it seems this could be because Ms W stopped driving the car for a while – which wasn't ultimately her fault. All things considered I think it fair that NF refund her for the battery cost which (I have seen the receipt for) is £129.19.

I have also thought about the times Ms W had the car to drive. She has described malfunctions including the display of fault codes along with issues with headlights and the display. So even while the car has been in use that use has been somewhat impaired by the ongoing electrical issues. Apart from the incident where the car went into limp mode I am not persuaded the impairment was generally significant from a functional perspective (I deal with distress and inconvenience later). I also note as part of my redress Ms W will be getting back her deposit – which is significant and would have gone some way to reduce her monthly rentals here. All things considered I do not propose to refund a percentage of rentals for impaired use in the circumstances.

However, I consider it fair to make an award for overall distress and inconvenience caused by the ongoing issues with the car. I am persuaded the ongoing display of alerts and warnings would be concerning. And even though Ms W wasn't driving the car when it went into limp mode it is clear she was distressed about the incident and it worried her about driving the car going forward. It also would have been inconvenient for Ms W to be taking the car for repairs and having periods she was without it. I think that NF could have done more here and recognised that Ms W was fairly able to reject the car sooner.

Deciding an amount for distress and inconvenience is not a science. I have looked at our website which describes the sort of awards we make and why. I am unable to make awards for distress and inconvenience suffered by Ms W's family members (although I recognise

they have been impacted here). However, in considering the impact on Ms W I am satisfied that the issues with the car caused her more than the minor distress and inconvenience you might expect in day to day life – and they have gone on for a prolonged period. Here I consider an award of £300 compensation to be fair and reasonable in the circumstances.

My provisional decision

I uphold this complaint and direct N.I.I.B. Group Limited trading as Northridge Finance to:

- Take back the car and end the agreement with no adverse footprint for Ms W's credit file;
- refund the deposit of £17,267.67;
- refund all rentals relating to the period from 7 May 2024 until 17 January 2025;
- refund the £360 paid for Inspection A;
- refund the £114 diagnostic;
- refund £129.19 for the replacement battery;
- subject to my comments above refund tax and insurance costs for the financed car relating to the period 7 May 2024 to 17 January 2025;
- pay 8% simple yearly interest on all refunds above from the date of payment to the date of settlement;
- refund seven additional days of rentals; and
- pay £300 compensation for distress and inconvenience.

If NF considers it should deduct tax from the interest element of my award it should provide Ms W with a certificate of tax deduction.'

NF did not respond to my provisional finding.

Ms W responded to say she had settled the finance agreement via a lump sum payment so requested that her lump sum was returned. As a result of this new information I wrote to both parties to amend my redress as follows:

'Ms W has been in touch to inform me she has recently settled the finance agreement via a lump sum payment of £9,296.41 on 16 March 2025.

If this is the case (Ms W has sent some paperwork through about it but I don't have confirmation from NF) then my redress would change. However, I would not fairly direct NF to refund the full lump sum payment as Ms W has asked. Ms W needs to fairly pay for her use of the car as if the agreement was still running. So, my redress calculation would be amended as follows (on the basis Ms W has settled in the manner she describes):

- NF are to calculate what Ms W would have paid in monthly rentals from the point she settled the finance agreement up to the point NF collects the car and deduct this from the lump sum Ms W paid to settle the finance agreement; and
- after calculating this amount NF should refund Ms W the remaining lump sum plus yearly simple interest at 8% calculated from the date Ms W settled the finance agreement to the date of settlement of my final decision.

Furthermore, if Ms W has settled the finance in full it stands to reason that I would not direct NF to end the agreement – however, my other redress, including collection of the car would still remain.

If either party has any comments on this proposal they can provide them by the original deadline set in my provisional decision and as soon as possible in any event.'

Ms W responded to agree. NF did not respond.

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.

Neither party has given me cause to change my provisional findings and amended redress – which I still consider fair for the reasons already given (above). These findings now form my final decision.

Putting things right

NF should put things right as I have set out below. Noting that if it is confirmed by NF that Ms W has settled the finance in the way she describes it should carry out the additional steps as set out below.

My final decision

I uphold this complaint and direct N.I.I.B. Group Limited trading as Northridge Finance to:

- Take back the car and ensure the agreement is ended with no adverse footprint for Ms W's credit file;
- refund the deposit of £17,267.67;
- refund all rentals relating to the period from 7 May 2024 until 17 January 2025;
- refund the £360 paid for Inspection A;
- refund the £114 diagnostic;
- refund £129.19 for the replacement battery;
- subject to my comments above refund tax and insurance costs for the financed car relating to the period 7 May 2024 to 17 January 2025;
- pay 8% simple yearly interest on all refunds above from the date of payment to the date of settlement;
- refund seven additional days of rentals; and
- pay £300 compensation for distress and inconvenience.

If NF confirms the settlement of the finance then it should also:

- calculate what Ms W would have paid in monthly rentals from the point she settled the finance agreement up to the point NF collects the car and deduct this from the lump sum Ms W paid to settle the finance agreement; and
- after calculating this amount NF should refund Ms W the remaining lump sum plus yearly simple interest at 8% calculated from the date Ms W settled the finance agreement to the date of settlement of my final decision.

If NF considers it should deduct tax from the interest element of my award it should provide Ms W with a certificate of tax deduction. Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 13 May 2025.

Mark Lancod

Ombudsman