

The complaint

Mr S is unhappy that a car supplied to him under a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services ('VWFS') was of an unsatisfactory quality.

What happened

In September 2023, Mr S was supplied with a used car through a hire purchase agreement with VWFS. He paid an advance payment of £14,100 and the agreement was for £33,148 over 60 months; with monthly payments of £686.46. At the time of supply, the car was almost four years old, and had done 35,562 miles (according to the supplying dealership's invoice).

The car was damaged when it was being delivered to Mr S, and it required repair by the dealership. The dealership also looked into Mr S's concerns that, during the short period of time he'd had the car, the tracking seemed to be out, and the brakes were making a rumbling noise. The dealership repaired the delivery damage to the car on 9 October 2023, during which repair they also realigned the wheels.

Mr S still wasn't happy with the car. He advised the dealership the car still didn't drive straight, and he considered this to be dangerous. So, on 19 October 2023, he asked to be able to reject the car. The dealership didn't agree with rejection and the car was subject a further inspection. A health check on 8 January 2024 said the brake flexi pipe had been fitted incorrectly and was chaffing on the wheel. This made the car dangerous to drive and a new flexi pipe was needed, as well as the wheels needing realignment.

In an email the following day, the dealership confirmed that a road test had shown the car was veering over, the flexible brake pipe would need replacing, the wheels would need realigning, and four new tyres were required. They also said that, in its current condition, the car was dangerous to drive.

Mr S complained to VWFS, but they said there were no issues with the car when it was inspected prior to delivery. So, they thought the issues with the car were due to normal wear and tear, and not something they were responsible for. Mr S was unhappy with this response, and he brought his complaint to us for investigation.

Our investigator said there was a fault with the car that made it of an unsatisfactory quality at the point of supply. And, given that Mr S had asked to reject the car within the 30-day short term right to reject period, he should be allowed to reject the car and receive a refund of the deposit he paid. The investigator also said that VWFS should refund the payments Mr S had made, less a deduction for fair usage, refund the amount Mr S had paid to have the car serviced, and pay him an additional £150 to compensate him for what had happened.

Mr S agreed with the investigator's opinion, but VWFS didn't. They said the dealership had comprehensively inspected the car before it was supplied to Mr S, and that it had passed an MOT in August 2024 with no advisories. So, they didn't think there was any damage to the

flexi pipe when the car was supplied to Mr S, or when the delivery damage had been repaired in October 2023.

VWFS also said that, when the car was inspected in January 2024, it had travelled 7,491 miles since purchase “4696 miles more than anticipated.” So, they thought the brake pipe damage had been caused by wear and tear.

The investigator revised their opinion following VWFS’s comments, saying that there was no evidence the fault with the car was present when it was supplied to Mr S. So, VWFS didn’t need to take any action.

Mr S didn’t agree with the investigator’s revised opinion. He said that he stopped using the car around the beginning of September 2024 because it was dangerous to drive, and he purchased a replacement car instead. He also said the car was an approved used car, so he didn’t think it’s reasonable that a component failed during the lifetime of the car.

I issued a provisional decision on 26 March 2025, where I explained my intention to uphold the complaint. In that decision I said:

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

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 S 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, VWFS 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 VWFS can show otherwise. So, if I thought the car was faulty when Mr S 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 VWFS to put this right.

I’ve seen a copy of the invoice for a pre-sale inspection conducted by the dealership on 3 August 2023. This shows that a service took place, and the number plates were changed (presumably for ones bearing the dealership’s name). But it doesn’t show any other work was done on the car, nor is there a supporting checklist to show what was inspected, and what any inspection found. I’ve noted the mileage on this invoice is actually lower than the mileage on the MOT that took place a day earlier.

VWFS have also provided a copy of what they say is the dealership’s pre-inspection report. However, this is dated 5 September 2024 and shows the car’s mileage at 55,568 miles. Given that the dealership’s supply invoice shows the mileage in September 2023 was 35,562 miles, I’m not satisfied this is a pre-inspection report. And, as no actual pre-inspection report has been provided, I’m not satisfied the dealership conducted an inspection that could’ve identified an issue with the flexi brake pipe before the car was supplied to Mr S.

I've seen a copy of the correspondence relating to the delivery damage on the car, dated 25 September 2023, which also refers to the tracking, the car pulling to the right, and the brakes rumbling. While the brake noise was suspected, at the time, to be due to lack of use, it's clear from what followed that the noise was actually caused by the flexi pipe rubbing against the wheel. As such, and with the lack of a proper pre-inspection report to show something to the contrary, I'm satisfied the issue with the flexi pipe was present when the car was supplied to Mr S.

In reaching this conclusion, I have considered VWFS's comments about the car passing an MOT in August 2023. They believe that, if the flexi pipe issue was present at the time, the MOT would've failed. However, the car passed an MOT on 30 July 2024. And it's not disputed that the flexi pipe issue was both present and unrepaired at that time. As such, it's reasonable for me to conclude the flexi pipe issue doesn't result in an MOT failure, so the car passing an MOT in August 2023 doesn't prove the flexi pipe issue wasn't present.

As the flexi pipe issue makes the car dangerous to drive, I'm also satisfied the car wasn't of a satisfactory quality when it was supplied to Mr S. And VWFS need to do something to put things right.

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 VWFS – 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.

As the repair to the delivery damage also included the alignment of the wheels in an attempt to resolve the tracking, the car pulling, and the brake noise, I'm satisfied this was the single chance at repair. And, as the flexi pipe issue remained following this repair, this single chance at repair failed.

The CRA is clear that, if the single chance at repair fails, as was the case here, then Mr S has the right of rejection. He requested this right of rejection in October 2023, and this is still Mr S's preferred resolution. As such, I'm satisfied that VWFS should now allow Mr S to reject the car.

In their initial view, the investigator said that Mr S should receive a refund of his payments, less a deduction for fair usage, upon the car being rejected. And that he should also receive a refund of the servicing costs he's incurred. However, I won't be adopting this as part of my directions, and I'll explain why.

Mr S was made aware the car was dangerous to drive in January 2024, at which point he'd already driven the car over 7,000 miles since it was supplied to him. And, by the time the MOT took place in July 2024, Mr S had travelled over 22,000 miles in under a year. So, around 15,000 miles were driven in a car that was dangerous to drive due to the flexi pipe issue, a fault that remained unrepaired. What's more, Mr S has continued to have use of the car – as evidenced by the fact that he had it serviced in November 2024.

Given the substantial amount of miles Mr S has driven, especially with the vast majority of these taking place in a car he was told was dangerous to drive, I'm satisfied that VWFS should be allowed to keep the payments he's made to account for his fair usage of the car.

What's more, the servicing and other repair costs, for example the replacement tyres, were incurred because Mr S continued to use the car – had he stopped using it in January 2024 when he was told it was dangerous to drive, these costs wouldn't have been incurred. As such, I won't be asking VWFS to reimburse these costs.

Finally, I think Mr S 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 initially recommended VWFS pay Mr S an additional £150, to recognise the distress and inconvenience he's been caused. 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 S would've felt by being supplied with a car that wasn't of a satisfactory quality. But I think it also fairly reflects the fact that Mr S continued to use the car for a substantial number of miles, despite being advised that he shouldn't drive it. So, this is a payment I intend to ask VWFS to make.

Therefore, I intend to ask VWFS to:

- *end the agreement with nothing more to pay;*
- *collect the car at no cost to Mr S;*
- *remove any adverse entries relating to this agreement from Mr S's credit file;*
- *refund the deposit Mr S paid (if any part of this deposit is made up of funds paid through a dealer contribution, VWFS is entitled to retain that proportion of the deposit);*
- *apply 8% simple yearly interest on the refund, calculated from the date Mr S made the payment to the date of the refund†; and*
- *pay Mr S an additional £150 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (VWFS must pay this compensation within 28 days of the date on which we tell them Mr S accepts my final decision. If they pay later than this date, VWFS 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 VWFS to take off tax from this interest, VWFS must give Mr S a certificate showing how much tax they've taken off if he asks for one.

Responses

Mr S said that he stopped using the car supplied to him by VWFS on 31 August 2024, when he purchased a new car. And he provided evidence that he has a second car, as well as evidence that the current mileage on the car supplied by VWFS is 60,500 miles.

Mr S also said that he only drove the car to be serviced in November 2024 because VWFS forced him to do this. So, he doesn't think it's fair that he should pay for this service. As such, Mr S feels he should be refunded all payments he's made since September 2024, including the costs he's incurred for both road tax and insurance.

Finally, Mr S said that, as he wasn't financially able to purchase a replacement car sooner, he had no choice but to drive the car supplied to him by VWFS, so he also feels that the

servicing costs he incurred during this time should also be refunded – he needed to keep the car up to *“FULL specification.”*

VWFS provided an Approved Used Car Check Report dated 1 August 2023. This report has a tick next to *“Check brake and clutch hydraulic systems for leaks, damage and positioning of lines and hoses”*, which VWFS says shows the car met the minimum manufacturer standards, and that the issue with the flexi pipe wasn’t present when the car was supplied to Mr S. They also confirmed that, when the car was inspected following the delivery damage, the wheel alignment and tyres were checked (but not the flexi pipe).

VWFS have said that it wasn’t until 8 January 2024 when the issue with the flexi pipe was identified, four months after the car was supplied to Mr S, and after he had done 7,490 miles. They also say that the issue with the flexi pipe was not the cause of the car veering, which they consider to be likely caused by the misalignment of the wheels due to the car striking a kerb, and the condition of the tyres as a result of Mr S’s driving style.

Finally, VWFS have referred to the MOT Guidelines for flexible brake hoses, which states *“you should reject a hose for being excessively damaged or chafed only if it’s severe enough to expose the reinforcement”* before going on to explain what level of damage would classify as a minor, major, or dangerous fail.

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.

Before I can consider Mr S’s comments about what he considers to be a fair remedy, I firstly need to address VWFS’s comments about the car being of a satisfactory quality when it was supplied to Mr S.

I’m glad that VWFS have acknowledged they failed to provide the full pre-inspection report previously, instead providing a much later report. However, they have now provided this missing report and, as detailed above, it does indicate that the brake system was checked for leaks, damage, and positioning issues. And the fact that this check has been ticked to say this was ‘ok’ leads VWFS to believe that there can’t have been any damage to the flexi pipe when the car was supplied to Mr S.

Whilst, taken as an isolated document, I can understand VWFS’s position. However, I need to consider the evidence as a whole. This inspection took place immediately before the MOT on 2 August 2023, and the MOT didn’t fail due to damage to the flexi pipe. Based on the MOT guidelines referred to above, this means the flexi pipe wasn’t sufficiently damaged to expose the reinforcement. But this doesn’t therefore mean it was undamaged.

As VWFS have pointed out, in January 2024, the flexi pipe was sufficiently damaged to be deemed dangerous – the brakes could potentially fail. But the car passed another MOT in July 2024, meaning the damage at that time wasn’t sufficient to expose the reinforcement, and it therefore follows the damage in January 2024 also couldn’t have been sufficient to have exposed the reinforcement.

However, it’s still the case that Mr S was complaining about the noise from the brakes, which as I’ve already said I’m satisfied was most likely caused by the chafing of the flexi pipe, from the point where the car was supplied to him. Given this, and that the damage would get worse over time/mileage, I remain satisfied that the issue with the flexi pipe was present when the car was supplied to Mr S – it wasn’t sufficient to be noteworthy in the initial pre-inspection check, it was sufficient to be noted in an inspection some four months and around

7,500 miles later, but it was never bad enough to reach the threshold of an MOT failure; but the presence of the noise shows it was always there.

As such, I remain satisfied that the car wasn't of a satisfactory quality when it was supplied to Mr S, and that VWFS need to do something to put things right.

Turning now to Mr S's comments about what he considers to be a fair remedy. And when considering this, I also need to consider that, in January 2024, Mr S was told not to drive the car without first having the flexi pipe repaired, something he didn't do.

At the point Mr S was told the car wasn't to be driven it had done 43,052 miles. By the time of the MOT on 30 July 2024 the car had done 58,223 miles – a further 15,171 miles. Mr S said he purchased a new car in August 2024, and stopped using the car supplied by VWFS. However, when the car was serviced in November 2024 it had done 59,529 miles – an additional 1,306 miles.

Even if I were to accept that all these miles were done between the MOT and when Mr S says he stopped using the car, I also need to consider the current mileage is 60,500 miles, which means that Mr S has driven the car for almost 1,000 miles since the service took place (which I've noted took place less than 3 miles away from Mr S's declared address). What's more, I've noted that Mr S hasn't registered the car as being off the road through a SORN, something I'd reasonably expect if the car wasn't being used, especially as there is residents off-road parking available on Mr S's street.

I'm therefore satisfied that, even though it's not been his main mode of transport, Mr S has continued to use the car supplied to him by VWFS, and he's continued to have this available for him to use. As such, I won't be asking VWFS to refund any of the payments he's made, and they can retain these as compensation for his fair usage of the car.

With regards to the service costs Mr S has incurred, as he's said, he was required to ensure the car was serviced in line with the manufacturer's requirements. And, for the reasons already given, Mr S has maintained use of, and the ability to use, the car. As such, I'm satisfied these were costs he reasonably incurred, and I won't be asking VWFS to refund them.

Taking all the above into consideration, none of the comments received has changed my view and I see no compelling reason why I shouldn't adopt my provisional decision as my final decision.

Putting things right

For the reasons stated in my provisional decision and above, VWFS should:

- end the agreement with nothing more to pay (this doesn't include any costs Mr S may be charged for damage to the car that falls outside of fair wear and tear);
- collect the car at no cost to Mr S;
- remove any adverse entries relating to this agreement from Mr S's credit file;
- refund the deposit Mr S paid (if any part of this deposit is made up of funds paid through a dealer contribution, VWFS is entitled to retain that proportion of the deposit);
- apply 8% simple yearly interest on the refund, calculated from the date Mr S made the payment to the date of the refund[†]; and
- pay Mr S an additional £150 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (VWFS must

pay this compensation within 28 days of the date on which we tell them Mr S accepts my final decision. If they pay later than this date, VWFS 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 VWFS to take off tax from this interest, VWFS must give Mr S 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 S's complaint about Volkswagen Financial Services (UK) Limited trading as Volkswagen Financial Services. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 May 2025.

Andrew Burford
Ombudsman