

## The complaint

Mrs G is unhappy that a car supplied to her under a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services ('VWFS') was of an unsatisfactory quality. She is also unhappy that they refused to refinance the final payment, and that they have been reporting adverse credit to the credit reference agencies.

Mrs G has been represented during the claim and complaint process by Mr G. For ease of reference, I will refer to any comments made, or any action taken, by either Mrs G or Mr G as "Mrs G" throughout the decision.

## What happened

In February 2020, Mrs G was supplied with a new car through a hire purchase agreement with VWFS. She paid an advance payment of £7,000 and the agreement was for £52,995 over 49 months; with 48 monthly payments of £648.09 and a final payment of £32,893.75.

As the agreement was coming to an end, Mrs G spoke to VWFS about refinancing the final payment. However, around this time, the engine failed on the car and required replacement. The car was eventually repaired under Mrs G's insurance policy.

Mrs G says that the issues with the car, and the timing of these issues, caused the refinancing of the final payment to be postponed. And, as it wasn't paid, VWFS reported this as arrears, eventually issuing a default for the outstanding amount. Mrs G also says that, when she spoke to VWFS about the issues with the car and the refinancing, they advised her that any adverse credit would be removed once the issues with the car had been resolved and the refinance sorted. And that the delay in paying the final payment wouldn't affect the refinance application.

The final payment fell due in March 2024, and Mrs G applied to refinance this in April 2024. VWFS declined the finance application on 8 May 2024. They said this was due to Mrs G failing their lending criteria at the time, and they have subsequently confirmed that her credit file showed she had entered into a Debt Management Plan ('DMP') in February 2024 - before the final payment fell due and before Mrs G applied to refinance this.

Mrs G complained to VWFS but they didn't uphold her complaint. So, she brought the matter to the Financial Ombudsman Service for investigation.

Our investigator said that the engine on the car failed due to water ingress, and this didn't happen because the car wasn't sufficiently durable – it was most likely caused by a one-off incident. So, while the timing was unfortunate, this wasn't something VWFS were responsible for. With regards to the finance, the investigator said this was declined due to Mrs G not meeting VWFS's lending criteria and was not linked to the delays caused by the engine failure, or the late application for refinance. So, they didn't think VWFS had done anything wrong.

Mrs G didn't agree with the investigator's opinion, providing extensive comments as to why. These included, but are not limited to:

1. The investigator didn't give sufficient weight to VWFS advising her they would reverse any adverse credit entries and this wouldn't affect the refinance application.
2. VWFS failed to freeze the account while the dispute about the quality of the car was ongoing
3. The delay in assessing and repairing the car was due to the repairing garage, and outside of her control. She didn't dispute the assessment that the fault with the engine wasn't caused by the car not being of a satisfactory quality when it was supplied.

Because Mrs G didn't agree, this matter 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've reached the same overall conclusions as the investigator, and for broadly the same reasons. 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 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. Mrs G 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 Mrs G 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.

In this instance, it's not disputed that the problem with the car wasn't caused by a problem that was present or developing when the car was supplied to Mrs G, nor was it caused by a lack of durability. As such, the car was of a satisfactory quality when it was supplied. Given this, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what remains in dispute – what VWFS said about the refinance application, and whether they have acted reasonably by reporting arrears and a default to Mrs G's credit file.

It's worth saying at this point that Mrs G has been asked to supply a current copy of her credit file on a number of occasions – neither VWFS or ourselves are able to obtain this on her behalf – to evidence what VWFS have reported and (from the historic data contained

within this) what was being reported at the time of her application to refinance. However, she has not provided this.

I've listened to the calls in question, which took place in March and April 2024. On a call dated 20 March 2024, Mr G, on Mrs G's behalf, explained to VWFS that the car had broken down (around two weeks earlier) due to water ingress in the engine. Outside of the issues with the car itself, Mr G also wanted to discuss the options available as the agreement was due to end. VWFS explained that the final payment was due on 27 March 2024, so was already within the billing cycle, and they were unable to stop the payment – Mrs G would need to stop the payment with her bank.

VWFS said they would raise a complaint regarding the issues with the car. They explained about handing back the car, and how this would work if the car could or couldn't be repaired. Mr G said they had been considering refinancing the car, and VWFS advised waiting until the outcome of the investigation into the engine failure had been completed before any decision was made. Mr G said he would arrange to cancel the direct debit, so the final payment wasn't collected. He specifically asked if doing this would cause any problems. VWFS said it wouldn't, given what was happening with the car, but they would need to know the outcome of the investigation into the car as soon as possible.

Finally, Mr G asked about extending the finance if the car was repairable. VWFS said that Mrs G could make a refinance application and explained the options available to her.

Following the receipt of an email about the missing final payment, Mr G called VWFS, on behalf of Mrs G, on 4 April 2024. He explained that investigations into the engine failure were still ongoing, and he said that, at this stage, he was assuming this had been caused by a manufacturing fault.

Mr G said that the direct debit had been cancelled, as previously advised, so the final payment wasn't collected, and VWFS explained that this had generated the email that had been received. VWFS went on to explain that the agreement was technically in arrears while the investigation into the fault with the car was ongoing, and that this would impact Mrs G's credit file. However, they said that, once the issue with the car had been sorted, and when Mrs G had decided what she wanted to do with the car, the reporting to the credit file could be 'reversed' and 'reset'.

VWFS put a 60-day breathing space on the account, which would suppress any chasers during the breathing space period. And they asked Mr G to both supply them with a letter from the garage who were investigating the issue with the car, explaining what the problem was, and to call them within 60-days to let them know what Mrs G's intention was with regards to the car. Mr G said that, if the car was repairable, they would look to refinance it, otherwise they would have to consider returning it and using any equity as a deposit against a replacement vehicle.

Mr G contacted VWFS again on 19 April 2024 to advise that he'd received a report from the garage about the car. He explained that, while water was found in the engine, and he considered the car to be defective, the garage had said it wasn't a manufacturing fault. He also advised VWFS that, if they contacted the garage about this, the garage could provide the information they required.

Mr G went on to say that the car could be repaired by making an insurance claim, but Mrs G was unsure whether to make the claim or apply for the refinance first. He was then transferred to another department to obtain a refinance quote.

Mr G made a follow up call on 20 April 2024. VWFS explained that they couldn't take a refinance application over the phone from Mr G, as the agreement would need to be in the same name as the original agreement – Mrs G – and she wasn't currently available. So, they advised how an online application could be made, that the application would need to be assessed under their normal lending criteria (which included the need to do a new credit check), and that the whole refinance process could take three to four weeks to complete.

VWFS also said that Mrs G was okay to keep (and use) the car while the refinance application was being processed.

Mrs G made the refinance application on 23 April 2024. While she was asked to provide further information about her income and expenditure, which I can't see was provided, VWFS declined the refinance application on 8 May 2024. As stated above, they have subsequently said there was a DMP put in place prior to the final payment falling due, and this would indicate financial difficulties, including arrears, with other financial organisations. And this is why the refinance application was refused, not because of anything to do with the issues with the car or the non-payment of the final payment when it fell due in March 2024.

I have no reasons to doubt what VWFS have said were their reasons for declining the refinance application, and Mrs G has provided no evidence, for example a copy of her credit file, to show that there was no DMP in place before the final payment fell due. And, as no refinancing application was made until 23 April 2024, VWFS wouldn't have been aware of the DMP when they gave Mr G the advice about the impact on the credit file on 4 April 2024.

I've considered the advice VWFS provided in the call of 4 April 2024 relating to the effect on Mrs G's credit file. They said that any adverse information would be removed on either the refinance of the final payment, or if the car was returned if Mrs G didn't go ahead with the refinance. However, once the refinance was refused, the car wasn't returned, nor did Mrs G arrange alternative financing through another provider so she could keep the car or sell the car and repay the final payment. Instead, she remained in possession of the car. As such, VWFS were under no obligation to correct Mrs G's credit file.

So, based on what I've seen, and while I appreciate it will come as a disappointment to Mrs G, I'm satisfied that VWFS acted fairly and reasonably, and I won't be asking them to take any action.

### **My final decision**

For the reasons explained, I don't uphold Mrs G's complaint about Volkswagen Financial Services (UK) Limited trading as Audi Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 10 February 2026.

Andrew Burford  
**Ombudsman**