

## The complaint

Mr P complains about the quality of a car he acquired under a hire purchase agreement with N.I.I.B. Group Limited trading as Northridge Finance (Northridge Finance).

When I refer to what Mr P and Northridge Finance said or did, it should also be taken to include things said or done on their behalf.

## What happened

In August 2023, Mr P entered into a hire purchase agreement with Northridge Finance to acquire a used car. The car was first registered in May 2019. At the time of acquisition, the car had travelled approximately 49,139 miles. The total cash price of the car was approximately £14,688 when Mr P acquired it. The total amount payable under the finance agreement was approximately £18,850. There was an advance payment of about £2,800 and the amount of credit provided by Northridge Finance was around £11,888. The agreement consisted of 48 monthly repayments each of around £200.58 and a final repayment of £6,422, together with the payment of the option fee and any administration fees.

Mr P said that in early November 2023 the car's fan system started to blow immensely which he thought was unusual. Mr P said that up until that point he had not driven the car that often due to being away the whole of September 2023. So, he initially reported the issue to his broker who referred him back to the supplying dealership. Mr P said the supplying dealership told him this was normal for the car to have such a loud blowing sound coming from the fans, as it was a diesel engine. Mr P, relying on this information as he never owned a diesel car previously, kept driving the car, but over the next few months the car started to overheat. So, in March/April 2024, Mr P contracted a warranty company as he had purchased an extended warranty. And he booked the car for a diagnostic report with a third-party garage who diagnosed the car and suspected it was the water pump and the timing belt that were affecting the car's ability to run properly, but it was also no longer starting. The car was then transferred to a second third-party garage for further diagnosis. The garage concluded that the car's timing belt was out by 6/7 teeth, and their engineer set the timing belt back to its correct mark. The car would still not start, so they concluded that the engine had suffered significant damage due to continued driving while the timing was out. To do a full diagnostic the second third-party garage was asking £1,000. So, Mr P raised a case with Northridge Finance. While they were looking at the complaint, Mr P said he asked them if he should get someone to retrieve the car as he was being asked to pay for storage costs by the second third-party garage. Mr P said Northridge Finance instructed him to leave the car with that garage and, later, they decided to pay for an independent inspection to be completed on the car.

The report came back but it indicated that the car was not faulty at the point of supply. So, Northridge Finance gave Mr P two options: either to sell the car at an auction in its current state or, as a gesture of goodwill, they would contribute to the repairs. The second option would include them finding a solution to covering some of the storage fees, that would be split between them and the supplying dealership. Mr P was not happy with the independent

inspection. In summary, he felt that a full diagnostic was not completed. So, he referred his complaint to the Financial Ombudsman Service (Financial Ombudsman).

Our investigator considered Mr P's complaint and only partially upheld it. The investigator was of the opinion that the car was of unsatisfactory quality when supplied to Mr P, due to the issues with the cooling fan. But the investigator thought that Northridge Finance was not responsible for the other repairs, and proposed that Northridge Finance refund Mr P any diagnostic or repair costs upon production of receipts. They also suggested that Northridge Finance pay the garage the full storage costs, and pay 8% simple interest on all refunded amounts. Plus pay Mr P £250 for the distress and inconvenience caused.

Northridge Finance accepted investigator's findings, but Mr P did not. So, the complaint has been passed to me to decide.

After reviewing the case, I issued a provisional decision on 8 May 2025. In the provisional decision I said:

***“What I’ve provisionally 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.*

*Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.*

*In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered good industry practice at the relevant time. Mr P acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. Northridge Finance is the supplier of goods under this type of agreement and is responsible for dealing with complaints about their quality.*

*I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.*

*The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr P entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. The CRA says that goods will be considered of satisfactory quality where they meet the standard that a reasonable person would consider satisfactory – taking into account the description of the goods, the price paid, and other relevant circumstances. I think in this case those relevant circumstances include, but are not limited to, the age and mileage of the car and the cash price. The CRA says the quality of the goods includes their general state and condition, as well as other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.*

*In Mr P’s case the car was less than four years old, with a total cash price of approximately £14,688. It had covered around 49,139 miles. As with any car, there is an expectation that there will be ongoing maintenance and upkeep costs. There are parts that will naturally wear over time, and it is reasonable to expect these to be replaced. So, Northridge Finance would not be responsible for anything that was due to normal wear and tear whilst in Mr P’s possession. But given the age, mileage, and price paid, I think it is fair to say that a*

reasonable person would not expect anything significant to be wrong shortly after it was acquired.

Mr P thinks that he should be entitled to reject the car.

The CRA sets out that Mr P has a short term right to reject the car within the first 30 days, if the car is of unsatisfactory quality, not fit for purpose, or not as described, and he would need to ask for the rejection within that time. Mr P would not be able to retrospectively exercise his short term right of rejection at a later date.

The CRA does say that Mr P would be entitled to still return the car after the first 30 days, if the car acquired was not of satisfactory quality, not fit for purpose, or not as described, but he would not have the right to reject the car until he has exercised his right to a repair first – this is called his final right to reject. And this would be available to him if that repair had not been successful.

First, I considered if there were faults with the car. Based on the report completed in May 2024 from a third-party garage, I can see that it states that the water pump failure caused the engine to go into limp mode, plus it lists a lot of diagnostic trouble codes. Some are to do with the oil pressure switch malfunction and low voltages. I can also see that the second third-party garage, in July 2024, indicated that the car was a non-runner. Also, the timing of the engine was at least six or seven teeth out from the correct mark, and when doing a compression test there was only 100psi – a very low reading for a diesel engine. And they concluded that there was a serious engine damage due to the timing being out. So based on all of the above, I think the car was, most likely, faulty. But just because a car was faulty does not automatically mean that it was of unsatisfactory quality when supplied. So, I have considered if the car was of unsatisfactory quality when it was supplied to Mr P.

I know that Northridge Finance relied on the independent inspection completed in October 2024, which states that the inspector would not consider that the faults would have been present and developing at the point of purchase. The main reason stated by the inspection was lack of evidence to link the two faults together; namely the cooling fan staying on for up to 15 minutes after the engine is turned off and the loss of timing correlation. They also considered that the car had covered 8,149 miles in just over 13 months.

I have considered the above, but I found the independent inspection not entirely conclusive. I can see that it states that they attempted to carry out a diagnostic. However, they were unable to connect to the car, as the battery was low even with the aid of the boost pack. They also indicated the timing belt covers were still fitted, therefore they could not see the timing belt or the water pump. Plus, they said that there are components that are driven off the timing belt, which may have a cause or effect on this, but that these cannot be seen without dismantling of the engine, which is not within their engineering remit. And even though the report provides a lot of reasons as to why the timing may become displaced, the overall report does not seem to be very conclusive when considering the above points. So, I have considered it, but I have also considered other available evidence.

I can see that the report completed in May 2024 from a third-party garage states that the water pump failure caused the engine to go into limp mode, plus it had listed a lot of diagnostic trouble codes. I cannot see that the above independent inspection commented on any of these or that it had taken this information into account. Mr P also told us that this third-party garage explained that the water pump failure caused an issue with the temperature of the car. So, the mechanic suspected that, most likely, the car's fan was blowing harder than usual as the car's water pump was not functioning properly. And that this had an effect on the timing belt, as the car was overheating. And I can see that the second third-party garage, in July 2024, indicated that the timing of the engine was at least

six or seven teeth out and the compression of the engine was low. So they concluded that there was a serious engine damage due to the timing being out. And Mr P also provided web links to certain general car experts' opinions, which explain that a car's engine overheating is the quickest way to lead to engine damage, as it can cause malfunction to various parts of the engine and its components.

Based on everything that is available, I think, most likely, the engine overheating did contribute to the current faults with the engine. Considering Mr P raised the overheating issues with the supplying dealership within three months of receiving the car, I think, most likely, the faults with the overheating were present or developing at the time of supply. I think a reasonable person would not expect to have such overheating issues with a car so soon after supply based on the age, mileage of the car, and the price paid. So, taking all this into consideration, and also how quickly Mr P raised the above faults, I do not think the car was of satisfactory quality.

In situations similar to this one, considering when the issues were raised and the fact that Northridge Finance have not attempted a repair, I would have been inclined to recommend that Mr P is able to exercise his right to a repair, but I do not think this would be fair and reasonable considering the specific circumstances of this case.

I think a more reasonable solution would be for Mr P to be able to exercise his right of rejection under the CRA. When coming to this conclusion, I have considered many things. Among them, I reflected on the fact that a repair would cause further delays, costs, and inconvenience to Mr P. Mr P raised the issues with the car only after three months of its possession and the supplying dealership chose not to inspect the car, or to attempt a repair. Also, under the CRA, Northridge Finance are responsible for carrying out the repairs within a reasonable time and without significant inconvenience to Mr P, which has not happened in this case. So, bearing in mind the specific circumstances of this complaint and considering the amount of time that has passed, I do not think that a repair would be a fair and reasonable outcome. So, I think Mr P should now be able to reject the car.

Northridge Finance should end the hire purchase agreement with nothing further to pay and collect the car from wherever it is located at no cost to Mr P. Any adverse information should be removed from Mr P's credit file and the credit agreement should be marked as settled in full on his credit file, or something similar, and should not show as a voluntary termination.

Mr P has been able to use the car until May 2024 when it went in for repairs to the third-party garage, so I think it is reasonable he pays for this use. Northridge Finance can keep the monthly repayments made up to May 2024 and should refund any repayments Mr P made from there onwards, as he stopped using the car at that point.

Northridge Finance should also refund any advance payments Mr P directly made himself towards the finance agreement. I think in this case the amount is around £2,800.

They should refund Mr P any amounts he paid for diagnostics and repairs already done on the car, as he would not have incurred these costs had they provided him with a car that was of satisfactory quality. These should be refunded upon Mr P providing proof of payment to show that he was the one that paid for these.

In addition, Northridge Finance should pay for any storage costs that have been incurred from the third-party garage where the car was examined, as these would not have been due had Northridge Finance provided Mr P with a car that was of satisfactory quality. And, had Northridge Finance told Mr P to recover the car from the storage in question, these fees would have been significantly lower. These should be directly paid to the third-party garage or should be refunded to Mr P if he already paid these.

*Mr P said he also purchased a three-year warranty extension. I understand that this was sold by the broker alongside the car but outside of the finance agreement. So, I've considered whether it is reasonable for Northridge Finance to refund this to Mr P.*

*Mr P opted to pay for the upgraded warranty for the higher level of protection and peace of mind it offered over a three-year period. Whether or not any claims were made, I find it unreasonable to expect him to pay for a three-year warranty in full, when he only had use of the car until May 2024, because the car was not of a satisfactory quality when supplied. That being said, as I've mentioned above, Mr P has had some use of the car so it would not be unreasonable to expect some of the warranty costs to be paid by him. So, I find it to be reasonable that Northridge Finance refund 75% of the total warranty cost to Mr P. I consider 25% to be a fair deduction to account for the time Mr P had use of the car (about 9 months of the 36-month warranty) and during which he benefited from the cover the warranty provided. But first, I think it would be reasonable for Mr P to mitigate his loss by attempting to obtain a refund from the warranty provider for the unused part of the warranty. If any refund is provided by the provider, this should be deducted from the final amount Northridge Finance should pay Mr P. Mr P should provide Northridge Finance with evidence that he made a reasonable attempt at getting the refund.*

*Northridge Finance should also add interest to the refunded amounts from the date of each payment until the date of settlement. Interest should be calculated at 8% simple per year.*

*I know that Mr P has mentioned that this situation had an impact on him and his business. But I've not been given enough evidence for me to conclude that Northridge Finance supplying him with a car that is not of satisfactory quality was most likely the reason for Mr P directly incurring a financial loss. However, I have considered that this matter has caused him a lot of distress and inconvenience while trying to resolve it. Mr P has explained, in great detail, how this has impacted his health. Also, he had to take the car to several garages and spend a significant amount of time trying to resolve this issue. I think Mr P would not have had to do this if Northridge Finance supplied him with a car that was of a satisfactory quality. So, I think Northridge Finance should pay him £250 in compensation to reflect the distress and inconvenience caused.*

### **My provisional decision**

*For the reasons given above, I intend to uphold this complaint and direct N.I.I.B. Group Limited, trading as Northridge Finance, to:*

- 1. End the hire purchase agreement with nothing further to pay and to collect the car from wherever it is located at no cost to Mr P;*
- 2. Northridge Finance can keep the monthly repayments made up to May 2024 and should refund any repayments Mr P made from there onwards;*
- 3. Refund any advance payment Mr P directly made himself towards the finance agreement (I think in this case the amount is around £2,800);*
- 4. Refund Mr P any amounts he paid for diagnostics and repairs already done on the car (these should be refunded upon Mr P providing proof of payment to show that he was the one that paid for these);*
- 5. Northridge Finance should pay for any storage costs that have been incurred from the third-party garage where the car was examined. These should be directly paid to the third-party garage or should be refunded to Mr P if he already paid these;*
- 6. Refund Mr P 75% of the total warranty cost, but first, it would be reasonable for Mr P to mitigate his loss by attempting to obtain a refund from the warranty provider for the unused part of the warranty. If any refund is provided, this should*

*be deducted from the amount payable by Northridge Finance. Mr P should provide evidence that he made a reasonable attempt at getting the refund from the warranty provider;*

- 7. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement;*
- 8. Pay Mr P £250 compensation;*
- 9. Remove any adverse information recorded on Mr P's credit file in relation to this credit agreement. And the credit agreement should be marked as settled in full on him credit file, or something similar, and should not show as voluntary termination.*

*If N.I.I.B. Group Limited trading as Northridge Finance considers that tax should be deducted from the interest element of my award, they should provide Mr P with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so."*

I asked both parties to provide me with any additional comments or information they would like me to consider by 22 May 2025.

Mr P accepted my provisional decision.

Northridge Finance did not respond and/or provide any further information or comments.

### **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 and considering neither Mr P nor Northridge Finance had any further information or comments to make, I see no reason to reach a different conclusion to what I reached in my provisional decision (copied above).

### **My final decision**

For the reasons given above, and in my provisional decision, I uphold this complaint and direct N.I.I.B. Group Limited, trading as Northridge Finance, to:

1. End the hire purchase agreement with nothing further to pay and to collect the car from wherever it is located at no cost to Mr P;
2. Northridge Finance can keep the monthly repayments made up to May 2024 and should refund any repayments Mr P made from there onwards;
3. Refund any advance payment Mr P directly made himself towards the finance agreement (I think in this case the amount is around £2,800);
4. Refund Mr P any amounts he paid for diagnostics and repairs already done on the car (these should be refunded upon Mr P providing proof of payment to show that he was the one that paid for these);
5. Northridge Finance should pay for any storage costs that have been incurred from the third-party garage where the car was examined. These should be directly paid to the third-party garage or should be refunded to Mr P if he already paid these;
6. Refund Mr P 75% of the total warranty cost, but first, it would be reasonable for Mr P to mitigate his loss by attempting to obtain a refund from the warranty provider for the unused part of the warranty. If any refund is provided, this should be deducted from the amount payable by Northridge Finance. Mr P should provide evidence that he made a reasonable attempt at getting the refund from the warranty provider;

7. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement;
8. Pay Mr P £250 compensation;
9. Remove any adverse information recorded on Mr P's credit file in relation to this credit agreement. And the credit agreement should be marked as settled in full on him credit file, or something similar, and should not show as voluntary termination.

If N.I.I.B. Group Limited trading as Northridge Finance considers that tax should be deducted from the interest element of my award, they should provide Mr P with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 24 June 2025.

Mike Kozbial  
**Ombudsman**