

The complaint

Miss H is unhappy with the redress offered by Santander Consumer (UK) Plc (Santander) after a car supplied to her under a conditional sale agreement was found to be of an unsatisfactory quality.

What happened

In March 2024 Miss H was supplied with a new car through a conditional sale agreement with Santander. She paid an advance payment of £5,000 and the agreement was for £21,593 over 49 months; with 48 monthly payments of £148.82 and a final payment of £9,450.

Miss H complained about issues with the stop/start function in the car.

Santander arranged for an independent inspection of the car. The inspection reported clear issues with the car. A road test was attempted but the warning messages came on.

Santander agreed Miss H could reject the car and the agreement would be unwound. They agreed to refund the deposit Miss H paid and the monthly payments she made. They said they would deduct 35 pence per mile travelled from the refund amount. This left a refund amount of £3,194.35

Miss H was unhappy that Santander had not refunded the cost of the tyre and alloy wheel maintenance plan she'd purchased with the car.

Miss H was unhappy with Santander's response, so she referred her complaint to our service for investigation.

Our investigator said she didn't think Santander had done enough to put things right. She said they should refund the deposit, refund 10% of monthly payments to reflect impaired usage, refund all payments made after the car was returned, and pay Miss H £300 for distress and inconvenience.

She also said that Santander should refund Miss H £346.50 for the tyre plan, as this appeared to be the cost shown on the agreement.

Miss H replied stating she should be refunded the full amount of £399, and she provided a copy of her bank statement that showed the payment she made direct to the supplying dealer.

Because Miss H didn't agree, this matter has been passed to me to make a final decision.

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. Miss H was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

Undisputed Fault

In this matter Santander accepted there were problems with the car, and agreed Miss H could reject it. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what I think business should do to put things right.

Putting things right

The tyre and alloy wheel maintenance plan

Miss H provided a copy of the tyre and alloy wheel maintenance plan. It shows the purchase price as £399. She also provided a copy of her bank statement. This shows the payment of £399 was paid directly to the supplying dealer.

Our investigator awarded a refund of £346.50 in respect of the plan. This was based on an entry in the conditional sale agreement.

The agreement showed the cash price of the car as £17,703. The VAT section of the agreement breaks this down. It included an item described as "*Extras*". The net amount for this item was £288.75, the VAT amount was £57.75, meaning the total price for these "*Extras*" was £346.50.

These Extras were not further described.

The bank statement provided by Miss H shows that she paid the supplying dealer direct for the plan. It did not form any part of the agreement with Santander, so it wouldn't be reasonable to ask them to refund this amount to Miss H. I appreciate Miss H will be disappointed by this. But I'm satisfied the plan was a direct contract between her and the supplying dealer.

I don't agree with our investigator that we can assume the amount of £346.50 for "*extras*" was for the plan, but with a discount applied. I say that because we know that Miss H paid the full amount direct to the supplying dealer.

But I do think Santander should refund the £346.50 to Miss H. It's unfortunate that the extras aren't described – but they do form part of the agreement, and now that the car has been returned as it was not of a satisfactory quality, Miss H cannot benefit from these extras. So I think it reasonable that Santander should refund this amount to Miss H.

Refund of monthly payments

Miss H was able to use the car while it was in her possession. And, while it was being repaired, she was also, on some occasions, provided with a courtesy car to keep her mobile. Because of this, I think it's only fair that she pays for this usage.

However, Miss H had the car from new, and in the first six months she drove it for less than 1,500 miles. It had already been in the garage on a number of occasions by that point. So I'm satisfied her use of the car was impaired by the faults. Because of this, I think it's fair that Santander refund some of the payments Miss H made from when the car was first taken to the garage. And I think 10% of the payments made by Miss H from 23 May 2024 fairly reflects the impaired use caused by the car not being of a satisfactory quality.

Hire costs

Miss H provided evidence of the costs she incurred in hiring a car after Santander collected the car. I won't be asking Santander to repay these costs as I'll be asking them to repay all monthly payments Miss H made after the car was collected.

Distress & Inconvenience

Miss H has described the mental and financial impact this situation has had on her. This relates to Santander supplying her with a car that was not of a satisfactory quality. So, I think Santander should pay her £300 in compensation to reflect the distress and inconvenience caused.

Therefore, Santander should:

- end the agreement with nothing more to pay;
- collect the car at no cost to Miss H, if not already done;
- remove any adverse entries relating to this agreement from Miss H's credit file;
- refund the £5,000 deposit Miss H paid (if any part of this deposit is made up of funds paid through a dealer contribution, Santander is entitled to retain that proportion of the deposit);
- refund 10% of monthly payments from 23 May 2024 to reflect impaired usage;
- refund the payments made by Miss H following the collection of the car;
- refund the £346.50 for the "extras" set out in the agreement;
- apply 8% simple yearly interest on all the refund amounts above, calculated from the date Miss H made the payment to the date of the refund[†]; and
- pay customer an additional £300 to compensate her for the distress and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality.

I understand Santander has already paid an award. The amount already paid should be deducted from the total amount of the elements I've set out above.

[†]If Santander considers that tax should be deducted from the interest element of my award, they should provide Miss H with a certificate showing how much they have taken off so she can reclaim that amount, if she is eligible to do so.

My final decision

For the reasons explained, I uphold Miss H's complaint about Santander Consumer (UK) Plc and they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 5 August 2025.

Gordon Ramsay
Ombudsman