

The complaint

Mr S complains about the quality of a car he was supplied by Santander Consumer (UK) Plc trading as Santander Consumer Finance ("Santander").

What happened

Mr S acquired a used car through a conditional sale agreement with Santander in September 2024. He's told us the car developed faults after around a month, and he attempted to get it repaired with the supplying dealership. However, the same problems occurred the next day after it had apparently been repaired, so he raised a complaint with Santander in November 2024 and asked to reject the car.

Mr S has not been happy with the complaint handling service from Santander and told us he had to continuously chase it to try to get things resolved. Santander did arrange for an independent inspection of the car in late November 2024, and this confirmed the faults present and that they would have been present or developing at the point of sale.

However, Mr S hadn't had a final response letter from Santander when he brought the complaint to our service in February 2025. In March 2025, while our service was waiting for Santander to supply details to us of the agreement and complaint, they issued a final response letter and upheld Mr S's complaint.

They offered to unwind the agreement, said they would refund £1511.30 of monthly instalments paid on his agreement (5 months' worth), but then before returning his full £8,000 deposit, they deducted £4,195 which they said was for his 9,234 miles usage in the vehicle at 45p per mile. They also said they would pay him £400 for the distress and inconvenience caused.

Because he remained unhappy with how Santander had handled his complaint, Mr S asked us to continue our investigation, but he's told us the rejection was processed. An investigator here gave their view that the compensation offered wasn't fair and that Santander should refund his full deposit to Mr S but could keep his five monthly payments to equate for his fair usage whilst he had the car.

Mr S accepted this, but Santander asked for the view to be updated as they had already refunded the five monthly payments to Mr S, so the investigator updated the view to say that they should refund his £8,000 deposit less the £1,511.30 they'd already refunded to him, and agreed they should pay him £400 for the distress and inconvenience caused.

Santander then said that they had studied our service's decisions and felt that they should be able to retain one monthly payment for every 1,000 miles covered by Mr S, which meant they could retain nine payments (even though he hadn't made nine payments) so this equated to £2,720.34 they should be able to retain. As an agreement couldn't be reached, the case has come to me for 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. Mr S was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

It's disappointing to see that despite getting their own independent report carried out which said they were liable for the issues here, Santander have failed to agree a fair compensation package with Mr S.

Firstly, to be crystal clear, I agree that the car was of unsatisfactory quality based on the evidence provided, and I also agree that Mr S had the right to reject it after repairs carried out by the supplying dealership failed.

The ensuing difference of opinion about how much compensation should be paid appears to have been driven entirely by the slow ineffective complaint handling from Santander, which meant that they left Mr S with a poorly functioning car from November, when they had an inspection carried out, until March when they finally issued a final response letter to him accepting that he could reject the car.

Having said that, it is fair that Mr S pays for the fair usage of the car while it's remained in his possession and he's had to use it. Santander have first tried to tell him that he should pay 45p per mile for fair usage, which isn't a fair figure and would have cost him over £4,000. Then, when the investigator has confirmed our starting position would be to retain a monthly payment for each month he had the car, they've said on reviewing previous cases with our service, they felt they should get to keep a monthly payment for every 1,000 miles. This also isn't fair, and I would point out to them that at no point here have they offered or been asked to refund Mr S for any impaired use from having to drive around a car which it seems couldn't be driven at higher speeds and tended to go into limp mode if it was. Rather than to collect more details here and potentially amend the redress further, I think a fair outcome would still be achieved by the investigator recommendation.

As I'd expect Santander to know, we don't have a "one size fits all" approach to this kind of compensation, and every case is decided on its own merits. Whilst Mr S's mileage was high, it was still within the 10,000 miles per year allowed on his contract, meaning if he was concerned about the mileage going over his allowance, he could still have used the car less to keep it within the agreed amounts.

Alongside this, as I've already said, the only reason he was left using the car was due to Santander's delays in dealing with his complaint, and the car wasn't functioning properly. As such, I am satisfied that as a fair outcome, as recommended by the investigator on this case, Santander should be able to keep the five monthly payments that Mr S paid, to reflect his fair usage for the period he had the car, most of which saw the car not functioning properly.

I'm unclear why they refunded these payments to him, as we would rarely recommend this in these circumstances, but as they have done this, it would be fair to reduce the deposit refund due to him by this amount before paying it. Santander should be careful to ensure that this doesn't unfairly impact the statutory interest he will be due to receive when refunding his deposit less the monthly payments.

I agree that £400 to recognise the distress and inconvenience caused feels fair, as its clear from Mr S that he feels this has taken far too long to sort out and caused him obvious inconvenience. I will also be adding in to ensure his credit file is unaffected by this agreement, which I haven't been made aware has been an issue, but just to ensure that it isn't.

I don't believe Santander have paid him compensation yet as it hasn't been agreed, but if they have, I am satisfied they can amend what's been paid in line with the below, rather than having to pay this on top of any payments already made.

Putting things right

I instruct Santander to carry out the following to put things right:

- End the agreement with nothing further for Mr S to pay (already done I believe)
- Collect the car at no cost to Mr S (already done I believe)
- Refund Mr S's deposit for the car less the monthly payment refund already made to him (£8,000 less the £1,511.30)
- Pay 8% simple interest on the refunds from date of payment to date of settlement.
- Pay £400 for the distress and inconvenience caused (if not already paid)
- Remove any adverse data from Mr S's credit file in relation to this agreement.

My final decision

I am upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 November 2025.

Paul Cronin
Ombudsman