

The complaint

Mr H complains that a car supplied to him by Volvo Car Financial Services UK Limited (Volvo) under a conditional sale agreement was of unsatisfactory quality.

What happened

I issued a provisional decision setting out what I thought about Mr H's complaint. I've copied the relevant parts of that provisional decision below – and they form part of this final decision.

"In March 2024, Mr H was supplied with a new car through a conditional sale agreement with Volvo. The cash value of the car was £74,316.22. He made an advance payment of £38,500, and the agreement was for £35,816.22 over 48 months; with a first payment of £746.23 and 47 monthly payments of £746.17.

The following month, Mr H contacted the dealership to inform it of some paintwork imperfections on the rear quarter panel. He sent a photo of the paintwork showing a small mark. The dealership didn't comment on the photo at the time.

In July 2024 the car lost power, and the dashboard displayed a 'propulsion system failure' warning. It was returned to the dealership who carried out an electrical reset and recalibration – which appeared to fix the problem. In August 2024 Mr H contacted the dealership because the car lost power again with the same warning while he was on holiday. He said he'd lost confidence in the car and wanted a refund or replacement. The dealership said it couldn't help with Mr H's request for a refund and suggested he contact Volvo. It offered to book the car in for further repairs. A software upgrade was carried out which resolved the problem, and it hasn't reoccurred since then.

Mr H made a complaint. He repeated his request to reject the car because it had broken down twice in a short space of time. He was also unhappy the paintwork problem he'd reported previously had never been resolved. Volvo said it was satisfied the car was working as it should after the repair, so didn't think there was any reason to reject the car. It said it couldn't confirm whether it was liable for the paintwork issue – but agreed to arrange for it to be rectified. It offered £150 to recognise the distress and inconvenience caused to Mr H.

The car was booked in with the dealership's paintwork specialist who polished out the mark. Mr H was unhappy with this – as two small scratch marks were left where the paintwork had been polished. He said the dealership had simply removed layers of paintwork rather than fix the issue. The dealership said it wouldn't attempt to fix the issue again, as it wouldn't be possible to completely remove the mark to Mr H's satisfaction.

Because Mr H remained unhappy, the complaint was referred to the Financial Ombudsman Service (Financial Ombudsman). Our Investigator considered the complaint and upheld it. In summary, they didn't think Mr H could reject the car because of the propulsion system failure – since that issue had been resolved. But they did think the car most likely had a problem with the paintwork when it was supplied to Mr H, which Volvo hadn't been able to rectify. They recommended that Volvo end the agreement and collect the car at no cost to Mr H.

Volvo didn't accept the Investigator's conclusions. In summary, it was satisfied there were no outstanding faults with the car. It said there was no way to prove whether the paintwork issue was present at the point of supply, and that it wasn't reasonable to say the car should be rejected because of the two small scratches that remained. It asked for the complaint to be referred to an Ombudsman for a final decision. So, it's been passed to me to decide.

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.

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 decision on the balance of probabilities – what I think is more likely than not 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 H was supplied with a car under a conditional sale agreement. This is a regulated consumer credit agreement which means I can consider a complaint about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr H 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.

So, if I thought the car was faulty when Mr H 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 Volvo to put this right.

In this case, the car was new and had a cash price of nearly £75,000. So, I think a reasonable person would expect it to be durable and free of defects for a reasonable period. I'd expect it to be of a higher quality than a cheaper or previously used car, and I think it would be reasonable to expect it to be free of even minor defects shortly after it was supplied.

Under the CRA, any fault that occurs within the first six months of the agreement are assumed to have been present or developing at the point of supply – unless there's evidence to suggest otherwise. In this case, both issues were reported within the first six months of the agreement. It's accepted by the parties that there was a fault with the car's propulsion system that caused it to break down on two occasions – which has now been resolved. In the circumstances – and without evidence to suggest otherwise – I'm satisfied the fault with the propulsion system was likely present or developing when the car was supplied to Mr H.

I note Volvo's comment that the origin of the paintwork defect can't be proven – as it could have been caused by debris on the road. I've reviewed the photos which were sent to the dealership around five weeks after the car was supplied. From these, a clear but small mark

in the paintwork is visible. The paintwork doesn't appear broken or scratched and isn't consistent with what I'd usually expect from damage caused by debris. The mark is also at the back of the car, which is less likely to be hit by debris than the front or sides. Given that Mr H reported the issue within five weeks of the car being supplied, I'm reasonably satisfied – on balance – that it was likely present at the point of supply.

I don't think a reasonable person would expect a new car with a cash price of nearly £75,000 to break down due to a propulsion system failure on two occasions within six months of supply. Nor would they expect the car to be supplied with paintwork imperfections. So, I'm satisfied the car wasn't of satisfactory quality when it was supplied to Mr H.

I've explained why I think there was likely a defect in the paintwork at the point of supply. But even if that weren't the case, Volvo agreed to arrange a repair – so was liable for the standard of that repair. New scratch marks were left where the paintwork was polished. Although the marks are small, I need to consider the high expectations a reasonable person would have for the car given its age and price. Although a repair was attempted, I'm satisfied it didn't return the car to a satisfactory quality.

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. This applies to all faults with the goods, and to all repairs – the first attempted repair is the single chance at repair. If a different fault arises after a previous repair, even if those faults aren't related, the single chance of repair has already happened. The CRA is clear that, if the single chance at repair fails, the customer has the right of rejection. However, this doesn't mean that the customer is required to reject the car, and they can agree an alternative remedy – such as a further repair.

By the time Volvo arranged to repair the damaged paintwork, it had already had its single chance of repair – as it had repaired the propulsion system issue. Mr H agreed that Volvo could attempt to repair the paintwork issue, so I think it's reasonable that a repair attempt took place. But for the reasons I've outlined above, I'm satisfied the repair failed. So, Mr H is entitled to reject the car.

I'm satisfied Mr H was entitled to reject the car because of the paintwork issue alone. But for completeness I've also considered the propulsion system failure. Volvo says Mr H no longer has the right to reject the car because of this fault – as he agreed a further repair which successfully resolved the issue. I've considered this. When Mr H reported that the problem had reoccurred, he said he wanted either a replacement car or a refund – and didn't request a further repair. It was only after the dealership said it couldn't assist with a refund or replacement – and that all it could do was arrange a repair – that Mr H allowed a repair to take place.

I think the dealership's comments to Mr H were misleading. A repair had previously taken place, but the fault had reoccurred, so Mr H was entitled under the CRA to reject the car at that point as he'd requested. I don't think this was made sufficiently clear to him by the dealership. Nor did the dealership make clear that accepting a further repair would affect Mr H's right to reject the car.

Mr H was on holiday when the car broke down, so I can see why he felt he had no choice but to allow it to be repaired, as he was relying on it to return home. And I can see Mr H reiterated his request for a refund directly to Volvo a few days later. So, although a second repair took place, I don't think this means Mr H accepted that repair as a resolution to his concerns, or that it means he no longer has the right to reject the car.

Taking into account what I've said about both of the faults reported by Mr H, I think it's fair and reasonable that he should be able to exercise his right to reject the car under the CRA – as he originally requested.

Putting things right

As the car was of unsatisfactory quality when it was supplied to Mr H, it's now fair that he be able to exercise his right to reject it. This means Volvo should end the agreement and collect the car without charging for the collection. It should also refund the advance payment Mr H paid at the point of supply (less any amounts contributed by the dealership).

Although he lost confidence in the car, Mr H has been able to use it since it was supplied to him - and I think it's fair he pay for that usage. During the first repair, Mr H was provided with a courtesy car. He relied on taxis during the second repair, but that cost has already been refunded. So, I don't think Volvo needs to refund any of the payments Mr H has made under the agreement so far.

But I do think Mr H was inconvenienced as a result of being supplied with a car that wasn't of satisfactory quality. He had to arrange for the car to be repaired on two occasions because it had broken down. And the second time the car broke down was while Mr H was on holiday – which would understandably have been stressful for him. Volvo offered Mr H £150 to recognise the inconvenience caused. Taking all of the circumstances into account, I think this is a fair reflection of what's happened here and the impact to Mr H."

Responses to my provisional decision

Volvo said it accepted my provisional decision and had nothing further to add.

Mr H said he was pleased with the overall outcome I'd reached and provided some additional comments for me to consider. In summary he said, he was happy to pay for his use of the car over the first six months, but felt the following payments should be partially refunded. This is because those payments were intended as a long-term investment in the car, and he was unable to purchase another car while he was making payments towards this one.

He also felt the delay in allowing him to reject the car benefited Volvo, and caused him a lot of stress. He said the uncertainty leading up to my decision caused an emotional impact which should be acknowledged. Lastly, he noted that he paid the dealership for paintwork protection when the car was supplied.

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.

I'd like to thank both parties for responding to my provisional decision. I've carefully considered Mr H's additional comments. I'd like to assure him that I've taken all of the relevant circumstances into account when reaching my decision.

I appreciate Mr H feels a percentage of the payments he made should be refunded. But I need to consider that Mr H had use of the car for the entire period – and was kept mobile while the car was being repaired. I think the monthly payments Mr H made toward the agreement represents a fair payment for that use. After the propulsion issue was fixed, the only remaining problem was the paintwork defect. And, while I'm satisfied the car wasn't of a satisfactory quality, I don't think the defect impacted Mr H's day-to-day enjoyment of the car

to the extent that a refund of his monthly payments is warranted. I do acknowledge that Mr H has paid a significant toward the car with the intention of later purchasing and keeping it. But I think a refund of the advance payment (which represents the majority of what Mr H has paid overall) is fair compensation for that.

I appreciate the uncertainty surrounding the situation has been stressful for Mr H, and that he continued to pay for the car for a year after he originally asked to reject it. I considered this when deciding how Volvo should put things right. Taking Mr H's comments into account – along with all of the other circumstances – I remain of the opinion that £150 is a fair reflection of the distress and inconvenience caused.

Lastly, I acknowledge Mr H's comment that he made a payment to the dealership for a paintwork protection product. This payment was made directly to the dealership, and wasn't part of the credit agreement with Volvo. I also note that the receipt lists a total amount paid for various different products and items, and doesn't include a breakdown showing what the payment was for or how much he spent on each item. Nor have I seen anything to support what the product was or how it protected Mr H. I haven't seen anything to persuade me that Volvo should be liable for this cost, and the fact that the product was sold to Mr H doesn't impact the overall conclusions I've reached.

So, while I've considered Mr H's further comments, I'm not persuaded to depart from the conclusions I outlined in my provisional decision. So, my decision remains the same – and for the same reasons.

Putting things right

For the reasons I've explained, I require Volvo Car Financial Services UK Limited to:

- End the agreement, ensuring Mr H is not liable for payments after the point of collection and take the car back without charging for the collection;
- remove any adverse entries relating to this agreement from Mr H's credit file. 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;
- refund the advanced payment of £38,500 paid by Mr H (if any part of this payment was made up of funds paid through a dealer contribution, Volvo is entitled to retain that proportion of the payment);
- apply 8% simple interest per annum to the above refunded amount, calculated from the date Mr H made the payment to the date of settlement[†]; and
- if it hasn't already, pay Mr H £150 to compensate him for the distress and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality.

[†]If Volvo considers that tax should be deducted from the interest element of my award, it should provide Mr H with a certificate showing how much it has taken off so he can reclaim that amount, if he is eligible to do so.

My final decision

My final decision is that I uphold Mr H's complaint. I require Volvo Car Financial Services UK Limited to carry out the directions outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 September 2025.

Stephen Billings
Ombudsman