

The complaint

Mrs W complains that Santander Consumer (UK) Plc (Santander) hasn't settled a conditional sale agreement she took out with it fairly.

What happened

Mrs W took out the conditional sale agreement with Santander in January 2024 for a used car. The cash price of the car was £37,000. Mrs W made an advance payment of £26,000, the remaining £11,000 being provided by Santander under the conditional sale agreement.

In April 2024, Mrs W complained to the supplying dealership and Santander about an engine fault with the car. In a final response letter dated 8 May 2024, Santander upheld Mrs W's complaint. It said the dealership had agreed to carry out a complete engine rebuild and the car would then be returned to Mrs W. Santander then closed Mrs W's complaint.

Mrs W contacted Santander again on 28 May to complain that, while repairing the car, the dealership had also found the turbo needed to be replaced. Mrs W then also referred her complaint to us.

Soon after this, Mrs W and the dealership entered into a settlement agreement. Under it, Mrs W agreed to return the car and the dealership agreed to buy it back for £34,750. The dealership said it would pay £10,663.51 to Santander to settle the finance and £24,086.49 to Mrs W. In late June 2024, the dealership paid Mrs W this sum, which was around £1,900 less than the advance payment of £26,000 she'd made in January 2024. The dealership also paid Santander £10,663.51.

In another final response letter dated 29 August 2024, Santander upheld the complaint Mrs W made on 28 May. It noted the dealership was buying the car back from Mrs W and settling the finance. Santander offered (and has paid) Mrs W £187.45 in compensation for the time she didn't have the use of a car (which had been at the dealership for around ten weeks before it was bought back) and £150 in compensation for the distress and inconvenience she'd been caused.

Mrs W is unhappy that she's out of pocket because of how the finance on the car has been settled. As well as not getting back her full advance payment of £26,000 from the dealership, Mrs W says she paid road tax and car insurance for the ten weeks when she didn't have the car.

The investigator who looked at Mrs W's complaint didn't uphold it. He thought Santander had treated Mrs W fairly and reasonably by compensating her for the loss of use of the car and for the distress and inconvenience she'd been caused. In relation to the shortfall in the advance payment, he said this was a matter for the dealership, since it had settled the finance without Santander's input.

Mrs W disagrees with our investigator's view and so her complaint has been referred to me.

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've also considered the relevant law and regulations, any regulator's rules, guidance and standards, any codes of practice, and (if appropriate) what I consider was good industry practice at the time.

Having done so, I've decided not to uphold Mrs W's complaint. I'll explain why.

Santander supplied Mrs W with a car under a conditional sale agreement. This is a regulated consumer credit agreement, which means we can look at complaints about it against Santander.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mrs W 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.

Mrs W had issues with the car within the first six months, complained to Santander about them twice and Santander upheld her complaints. So I don't think it's disputed there was a problem with the car's engine and that it was present when Santander supplied it. As such, I'm satisfied I don't need to consider if the car Santander supplied to Mrs W was of satisfactory quality. Instead, I'll focus on what Santander has done to put things right for Mrs W and whether I think what it's done is fair and reasonable.

From what I've seen, it seems Mrs W didn't have the use of the car from the time it developed an engine problem on 20 April 2024 until the dealership settled the finance on 27 June 2024, a period of almost 10 weeks. I understand that, for much of this time – up until 14 June – the dealership arranged for Mrs W to have the use of a hire car. But there was a period between 14 and 27 June when it seems Mrs W had to pay for a hire car herself. I can see that, in July 2024, Santander asked Mrs W to confirm the dates when she didn't have the use of a hire car. And Santander has subsequently paid Mrs W £187.45 in compensation for this. In doing so, I think Santander treated Mrs W fairly and reasonably.

For the roughly ten-week period when Mrs W didn't have the use of the car, she was still paying her monthly payments under the conditional sale agreement, which were £235.84. But since she had the use of a hire car in this period (which was made available to her by the dealership and which kept Mrs W mobile while her car was off the road), I don't think Santander needs to reimburse Mrs W any of her monthly payments between April and June 2024. I can see that a direct debit was also taken from Mrs W's account in early July but Santander refunded this later that month. So I don't think Santander needs to do anything more here.

Mrs W is unhappy that Santander hasn't agreed to reimburse her for the car insurance and road tax she paid in the period when she didn't have the use of the car and before the finance was settled. For much of this time, from what I can gather, the car was at the dealership (ostensibly for repairs), before the dealership then agreed to accept its rejection. Having valid car insurance and road tax are both legal requirements of keeping a car. And having them was also part of the terms of Mrs W's conditional sale agreement. So I wouldn't expect Santander to reimburse Mrs W for these costs.

Mrs W is also unhappy that she hasn't been reimbursed her full advance payment of £26,000. She says she didn't have the money to buy another car and felt forced into accepting the dealership's offer of the lesser amount. By my reckoning, Mrs W has a shortfall of £1,913.51. I've seen a copy of a draft settlement agreement between Mrs W and the dealership, which I'm assuming she signed. This says Mrs W agrees to the dealership paying her £24,086.49 in full and final settlement of all claims she may have against it. The amount recorded in the draft agreement is the amount that was then credited to Mrs W's account at the end of June 2024. While I understand Mrs W is unhappy about this, it's an agreement she arranged and reached with the dealership independently of Santander. Because of this, I don't think it would be fair and reasonable to require Santander to pay the difference between the advance payment Mrs W made at the outset of £26,000 and what the dealership has paid her as part of its agreement to buy the car back.

From what I've seen, Mrs W has experienced some distress and inconvenience as a result of the problems she's had with the car. Santander has rightly acknowledged this and has offered – and paid – Mrs W £150 in compensation. I think that's a fair and reasonable level of compensation and in line with what I would expect Santander to pay in these circumstances.

My final decision

For the reasons I've given, I think Santander has treated Mrs W fairly and reasonably, so I don't think it needs to do anything more than it has already done. It follows from this that I don't uphold Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 22 October 2025.

Jane Gallacher
Ombudsman