

The complaint

Ms R is unhappy that a car supplied to her under a hire agreement with Ald Automotive Limited (ALD) was of unsatisfactory quality.

When I refer to what Ms R or ALD have said or done, it should also be taken to include things said or done on their behalf.

What happened

The circumstances of this case are well known to both parties, so I won't repeat everything here. But to summarise, Ms R was supplied with a brand-new car through a hire agreement with ALD in January 2024. She paid an advance rental payment of around £777 and the agreement duration was 24 months; with 23 monthly rental payments of around £259.

Within a week, Ms R contacted the dealership to report a clunking noise with a physical sensation underfoot when shifting from drive to reverse, or when the car is in some kind of lock. She said this had been happening since the day she received the car and reported the issue worsening over the following months. The car was inspected and test driven on several occasions by different technicians at different dealerships, but the cause of the problem couldn't be identified. Ms R says the issue later developed into the car switching from automatic to manual mid-drive, which she considers could be linked to the noise and indicates a gearbox issue.

Ms R complained to ALD, and they didn't uphold the complaint. They said as Ms R didn't select maintenance cover when entering into the agreement, she is responsible for any necessary repairs. And as a fault hasn't been identified, Ms R was unable to reject the car or obtain a replacement.

Unhappy with this response, Ms R referred her complaint to this service. Our Investigator reviewed matters and thought the complaint should be upheld. They noted the intermittent nature of the fault meant it would be difficult to replicate. But they were satisfied there was enough evidence to support the presence of a fault that made the car of unsatisfactory quality. Given there had been several opportunities to diagnose and repair the issue, they considered rejection to be a fair remedy. In addition, they thought ALD should refund 25% of the monthly rentals paid to reflect impaired use, and the termination fee Ms R paid to exit the agreement early.

ALD didn't agree. In summary, they said the dealership couldn't identify a fault and they require evidence from the dealership to demonstrate the presence of a fault in order to consider rejection.

As no agreement was reached, the matter was passed to me to decide.

I issued a provisional decision, setting out my intention to uphold the complaint but award different redress to our Investigator. I said:

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a reasonable outcome is. 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.

Ms R was supplied with a car under a hire agreement. This is a regulated consumer credit agreement which means we are able to investigate complaints about it.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Ms R entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. ALD is the supplier of the car and therefore responsible for complaints about its 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. In this case those relevant circumstances include, but are not limited to, the age, mileage and cash price of the car at the point of supply.

In this case, the car was brand-new. So, I'd expect it to be in perfect working order and free from even minor defects when it was supplied to Ms R.

The CRA sets out that goods which do not conform to the contract at any time within the period of six months, beginning on the day on which the goods were delivered to the consumer, must be taken not to have conformed to it on that day. Therefore, where a fault occurs within this timeframe, it is down to the finance provider to show there isn't a fault which makes the car of unsatisfactory quality.

I've carefully considered the evidence available to decide whether I'm persuaded there was a fault with the car – and I think there was. I say this because I've seen audio evidence of the car making the noise Ms R describes, as well as the dealership acknowledging the loud noise heard in a recording Ms R took. In addition, I've seen emails from the dealership confirming they'd been able to replicate the noise, after which they arranged for the car to be intricately inspected by a technician.

The dealership later told Ms R that the technician found the noise to be a characteristic of the car, but I haven't seen the report or any evidence of this being a known characteristic as opposed to a fault. I'd also note the dealership referred to it being a characteristic because when the car is on the ramp there is no oil pressure in the driveshafts. But I think there is enough evidence here to be satisfied the noise hasn't only presented while the car has been on the ramp, including the audio evidence taken by Ms R and an email from the same dealership which says:

"We have heard the noise today, which surprisingly came on as soon as the vehicle was started.

"The vehicle was driven out of its space, then reversed back into it on a half lock. Upon stopping in reverse, a clunk noise occurred. The sound was very similar to what you [Ms R] have sent through previously."

I've carefully considered what Ms R has told us about her experience in the car and note she's been consistent throughout their testimony to the dealership, ALD and this service. I've

considered what ALD have said about multiple engineers being unable to replicate the problem. But I think it's highly unlikely Ms R would go to the trouble of taking the car to the dealership for further inspection several times, and complaining to multiple parties about the car, including ALD, if the issue didn't occur as she described. Additionally, I find it unlikely the dealership would've arranged so many inspections of the car over an eleven-month period, or attempted a repair, if the noise Ms R reported was a known characteristic of the car – I would've expected her to have been told this from the outset.

So, based on the above, in addition to the audio evidence, I'm persuaded, on balance, it's more likely than not the car was defective in some way that resulted in the problems Ms R experienced. I've not been presented with any persuasive evidence from ALD that demonstrates there wasn't a fault. And given this was a brand-new car, which should reasonably be free from defects for some time, I consider the car wasn't of satisfactory quality when it was supplied to Ms R.

Putting things right

Having determined the car wasn't of satisfactory quality when it was supplied to Ms R, I've next considered what ALD should do to put things right.

I've considered what the Investigator has previously set out. However, I'm required to reach my own findings having reviewed the complaint independently. So, I've considered and set out what I consider to be fair redress due to Ms R.

The CRA provides a short term right to reject the car within the first 30 days if it was of unsatisfactory quality. However, Ms R would've needed to ask for rejection within that time. While she reported the issue with the car within the first week, I haven't seen that she expressed her wish to exercise her right to short term rejection within the first 30 days. And she wouldn't be able to retrospectively exercise this right after the 30 days had passed.

Outside of the first 30 days of the agreement, the CRA says a consumer has a right to reject if the goods do not conform to contract after one repair or replacement. The CRA is clear that, if the single chance at repair fails, then the customer has the right of rejection. It also says where a consumer requires the trader to repair or replace the goods, this must be done within a reasonable time and without significant inconvenience.

Here, the dealership had several opportunities to identify and repair the problem with the car from January 2024. With this in mind, I find Ms R had fair grounds to seek rejection of the goods. A repair had been attempted and after several opportunities to diagnose the underlying problem, the car wasn't brought back to conformity within a reasonable amount of time.

Ms R voluntarily terminated the agreement in March 2025. So, there's no longer an agreement in place to unwind, or car to return. However, ALD should refund the amount Ms R paid to early terminate the agreement and remove any adverse information from her credit file. The credit agreement should be marked as settled in full on their credit file, or something similar, and should not show as voluntary termination.

Ms R paid an advanced rental of £777, which essentially reduced the cost of the remaining monthly rentals due over the remaining term of the agreement. As this has reduced the monthly rentals, I consider it unreasonable to direct ALD to refund the full amount. Instead, ALD should calculate a pro-rated refund, assuming the £777 was spread equally over the 24-month term of the agreement, refunding an amount equivalent to the remaining period of the rentals from the date the agreement was terminated.

Interest should be calculated at 8% simple per year on each of the refunded payments, from the date of payment until the date of settlement.

Ms R has had fair usage of the car while it's been in her possession. And while it was at the dealership for repair, she was also provided with a courtesy car to keep her mobile. Because of this, I think it's only fair that she pays for this usage. The Investigator recommended ALD refund 25% of Ms R's monthly rentals for impaired use. But I don't agree this is reasonable given it's accepted the noise didn't impact the overall function of the car, Ms R was still able to drive it around 14,000 miles and the discomfort caused by the issue only occurred intermittently in certain circumstances.

However, I've considered that Ms R was inconvenienced by having to take the car to the dealership for diagnostics several times over an 11-month period. And Ms R's frustration with the matter and concern about the safety of the car is evident throughout her communication with both the dealership and ALD. I therefore think ALD should pay Ms R £250 compensation for the distress and inconvenience caused by being supplied with a car that was of unsatisfactory quality.

Responses to my provisional decision

I invited both parties to respond with any further points or evidence they wanted me to consider before I issued my final decision on this complaint.

ALD maintained that they hadn't treated Ms R unfairly. They said they rely on the information supplied by the dealership and they were told on several occasions that they were unable to identify a fault. However, as they had no further evidence to provide, they agreed to refund the early termination invoice with added interest and pay £250 compensation. But as Ms R still had use of the car, they didn't agree they should refund any rentals paid by Ms R.

Ms R didn't agree the redress fairly reflected the impact caused to her. She said she wasn't informed of her right to reject the car in the first 30 days, which she would've done had she known. She also thought ALD should've accepted rejection within their final response. She said this would've prevented the significant inconvenience caused to her by making multiple visits to different dealerships, as well as the impact on her mental health.

Regarding the impaired use, she explained that while she was provided with courtesy cars, she was paying to drive cars she hadn't chosen. Each time, she had to get accustomed to a new car in a hyper-vigilant state. And when receiving her car back, she had to again get used to the over responsive brakes and wait for the clunking noise to happen again. She said she experienced constant stress and fear regarding the safety of the car while driving it, which is still affecting her now as she still listens for the noise in her new car.

Ms R also didn't feel £250 compensation fairly reflected the inconvenience, stress and impact on her mental health. She said this doesn't take into account the hours she spent compiling complaints to ALD and this service, the number of visits she had to make to different dealerships, the amount she paid in petrol when returning the car and her loss of earnings.

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 have come to the same overall conclusions as those set out in my provisional decision, for the same reasons.

ALD maintains there isn't enough evidence that there was a fault with the car that would make it of unsatisfactory quality. But as they've provided no new evidence or submissions for me to consider in relation to this matter, I see no reason to alter the conclusions reached in my provisional decision as set out above. That is, ALD supplied Ms R with a car that wasn't of satisfactory quality and now need to put things right. ALD have also accepted this by largely agreeing to my redress proposal.

Ms R's response mostly focuses on the payment refund for impaired use and compensation award for distress and inconvenience – so I've reconsidered this, taking into account Ms R's comments. Ms R's upset with my proposed redress is clear throughout her response and I was sorry to hear of the mental health impact she described. I thank her for sharing this with our service and want to assure her I've considered everything she's told us when reaching my decision on her complaint.

Firstly, I understand Ms R has concerns about the service provided by the dealerships, but I'm unable to comment on these here. I can only consider the actions of ALD in this decision.

I don't dispute Ms R wasn't previously advised of her short term right to reject, or what the CRA says about the single chance at repair. But I don't think this would've made a difference here, as ultimately ALD and the dealership didn't, and still don't, agree there was a fault with the car that rendered it of unsatisfactory quality – so they wouldn't have agreed to rejection at this time anyway. I have carefully considered that a fault causing the noise has never been confirmed by a mechanical expert. And there are a number of reasons why a car may make noises in the circumstances Ms R describes, that aren't always due to a fault. So, I can see why ALD hadn't agreed to rejection previously. This was a finely balanced case and without evidence confirming a fault, I reached my conclusions based on the balance of probabilities, considering all of the circumstances and available evidence over the time Ms R had the car. And having reached this finding, I've considered the overall impact caused to Ms R by being supplied with a car that was of unsatisfactory quality.

When considering impaired use, I need to consider the impact the issue had on Ms R's use of the car. The agreement Ms R entered into had a total contract mileage allowance of 30,000 miles over a 24-month period, so Ms R expected to cover around 15,000 per year. Ms R had the car from January 2024 – March 2025, during which she covered around 14,000 miles in the car. This didn't account for any mileage covered in the courtesy cars she was provided with. So overall, I'm satisfied the noise didn't impact Ms R's ability to use the car for the expected mileage. Ms R has referred to the over sensitive brakes, but I haven't seen anything that confirms a presence of a fault causing this. Nor have I seen anything to suggest the noise made the car unroadworthy or unsafe. And having considered the intermittent nature of the noise, I can't agree Ms R's use was constantly impaired for the entire distance travelled that would make it reasonable for me to ask ALD to refund any rental payments.

We wouldn't typically look to award compensation as a result of a consumer needing to make a complaint. It is the unfortunate reality that problems do arise and complaints may need to be made. However, I accept Ms R was inconvenienced by taking the car for inspection on multiple occasions and I don't dispute the prolonged frustration and worry about the reoccurrence of the noise.

Ms R has also referred to loss of earnings and provided a calculation based on the time she spent dealing with this matter. I don't doubt Ms R may have had to take the car to the garage during working hours on occasions, but I haven't seen any specific evidence relating to her financial loss.

I have carefully considered the overall distress and inconvenience caused and I'm satisfied

£250 is fair and in line with our award ranges for situations such as this.

I acknowledge Ms R's strength of feeling about the level of redress I've proposed, and I know this will come as a disappointment to her. But for the reasons I've explained, I'm satisfied the redress set out within my provisional decision is fair and reasonable in all of the circumstances of this complaint.

My final decision

For the reasons set out above, my final decision is that I uphold Ms R's complaint about Ald Automotive Limited and direct them to:

- Refund the amount Ms R paid to voluntarily terminate the agreement;
- Remove any adverse information recorded on Ms R's credit file;
- Calculate a prorated refund of the £777 advance rental payment, assuming the payment was spread equally over the duration of the hire agreement term, refunding an amount equal to the unused period of hire after the car was returned;
- Pay 8% simple yearly interest on each of the refunded amounts from the date of payment until the date of settlement†; and
- Pay Ms R £250 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 2 October 2025.

Nicola Bastin
Ombudsman