

The complaint

Mrs C is unhappy that a car supplied to her under a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Seat Financial Services (VWFS) was of an unsatisfactory quality.

When I refer to what Mrs C or VWFS have said or done, it should also be taken to include things said or done on their behalf.

What happened

In September 2023, Mrs C acquired a new car through a hire purchase agreement with VWFS. The cash price of the car was £31,200 and she paid an advance payment of £6,083. The amount of credit was for around £25,116 and the duration of the agreement was 49 months; with 48 monthly payments of around £374 and a final payment of around £13,702.

In June 2024, Mrs C was unable to open the car as a fault with the infotainment system had drained the battery. She returned the car to the dealership for repair and a software update was carried out to address the problem.

In October 2024, Mrs C was unable to open the car door. This was found to be a driver door contact error, and a new driver door lock was fitted. Only days later, Mrs C reported errors with the driver door contact, stop/start function, hill start assist and parking brake – which she says slammed on without notice at slow speed. She also described a warning alarm and failure of all electrical components on the driver's door, such as the window. Mrs C says the dealership advised her to turn the car off and on again if these faults reoccurred. Just over a week later, Mrs C reported being locked inside the car as the driver's door wouldn't open and the car was again returned to the dealership for repair.

Mrs C complained to VWFS in November 2024 and asked to reject the car. VWFS didn't respond to the complaint within eight weeks, so Mrs C referred her complaint to this service.

After Mrs C referred her complaint to this service, she was told the car had been repaired and she needed to return the courtesy car. VWFS then responded to Mrs C's complaint and said there were no grounds for rejection. However, in recognition of the loss of enjoyment, disappointment and inconvenience caused by this issue, they and the dealership had agreed to a combined goodwill gesture of £900. This included a £750 refund of payments, which reflected 50% of what she paid during the four months the car was undergoing repairs, and an additional £150 compensation for distress and inconvenience.

Mrs C reluctantly accepted the car back from the dealership but promptly looked into part-exchanging it. Our Investigator advised she wouldn't be able to continue her complaint with this service if she was to voluntarily terminate her agreement. On this basis, Mrs C asked the Investigator to just look at the compensation element of VWFS' offer. After reviewing matters, the Investigator thought VWFS' offer was fair and they didn't need to do anymore to put things right.

Mrs C didn't agree. In summary, she said she'd been forced to pay negative equity and

replace the car due to the multiple electrical issues that the dealership failed to resolve within a reasonable timeframe. She doesn't think a 50% refund of payments is fair when she was without the car due to repairs failing, and the compensation amount doesn't reflect the level of impact caused to her.

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

I issued a provisional decision, setting out my intention to uphold this complaint. I said:

I think it's important to firstly explain that 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.

Mrs C acquired the car using a hire purchase 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 Mrs C entered into. Under this agreement, there is an implied term that the goods supplied will be of satisfactory quality. Our Investigator said that Mrs C voluntarily terminating her agreement prevents this service from being able to address her complaint about the quality of the car – but I don't agree. VWFS is the supplier of the car and therefore responsible for complaints about its quality – and although Mrs C has since voluntarily terminated her agreement, this service can still consider if VWFS treated her fairly while the agreement was in place.

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. The CRA says the quality of the goods includes their general state and condition and other things like their fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability.

In this case, the car was brand-new. So, I'd expect a car of this type and cost to meet high standards of performance and durability. It should have been free from even minor defects when it was supplied to Mrs C and in perfect working order for some time.

I've carefully considered the evidence provided by both parties. Having done so, it's clear Mrs C has experienced various electrical issues since the car has been in her possession. The first fault with the infotainment system occurred around nine months after Mrs C acquired the car, and the car's mileage at this time was around 9,000 miles.

The later electrical issues Mrs C experienced in October 2024 were understandably more concerning, given the impact of the faults and the fact they were reoccurrences of the same issue that was said previously to have been resolved. I don't doubt being locked in the car,

and the disfunction of various electrical components while driving would've been extremely worrying for Mrs C. I've considered that Mrs C had travelled around 13,500 miles in the car before these faults occurred. But I still don't think a reasonable person would've expected a fault of this nature to occur so soon after acquiring a brand-new car.

So, based on the evidence available to me, I'm satisfied there is sufficient evidence to

determine there was an underlying electrical fault, and that fault meant the car wasn't sufficiently durable – meaning there was a breach of contract. This doesn't seem to be disputed by VWFS, so I'll next consider if I think they've done enough to put things right for Mrs C.

Putting things right

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

Outside of the first 30 days of the agreement, during which a consumer has a short term right to reject, 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, repairs were carried out to the driver door lock at no cost to Mrs C and she was kept mobile with a courtesy car. However, Mrs C continued to experience the same issue and various other electrical faults following repair. The car was returned to the dealership, where it remained for around four months before repairs were completed.

It can't be said for certain that the most recent repairs were successful, given Mrs C didn't keep the car. But I've considered that the car was said to be repaired and returned to Mrs C in a satisfactory quality. However, when Mrs C asked to reject the car in November 2024, the car had already undergone two repairs, and I'm satisfied at least the second repair failed. Additionally, assuming Mrs C agreed to a third repair, the dealership had been in possession of the car for three weeks before she exercised her right to rejection with VWFS.

Based on the above, I think Mrs C had reasonable grounds for rejection. I also note the last repairs weren't completed until February 2025, eight months after Mrs C first reported an electrical problem, and four months after faults reoccurred. So, I don't consider the car to have been brought back to conformity within a reasonable amount of time as required under the CRA.

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

VWFS offered Mrs C a 50% refund of the payments she made towards the agreement over the four-month period the car was being repaired. Mrs C thinks she should receive a full refund of payments made during this time, but I don't agree. Mrs C had fair usage of the car while in her possession and while it was at the dealership for repair, she was also kept mobile with a courtesy car. Because of this, I think it's only fair that she pays for this usage. I therefore don't think it's reasonable to ask VWFS to refund any of Mrs C's monthly payments. However, VWFS should refund Mrs C's deposit with interest.

The interest added to the refunded amounts should be calculated at 8% simple per year from the date of payment until the date of settlement.

Lastly, I've considered that Mrs C was inconvenienced by having to be recovered by roadside assistance and returning the car to the dealership for repairs on multiple occasions. I also don't doubt she would've experienced considerable distress and concern about the

reliability of the car following the experiences she's described – rather than enjoying carefree motoring which she should've reasonably expected when acquiring a brand-new car. I therefore think VWFS should pay Mrs C £300 compensation for the distress and inconvenience caused by being supplied with a car that was of unsatisfactory quality.

From what Mrs C has told this service, it seems likely that she's now been paid the £900 offered within VWFS' response. If this is the case, VWFS should pay an additional £150 compensation, and £750 should be deducted from the total of the amounts set out above.

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.

Mrs C accepted my provisional decision and didn't have anything further to add.

VWFS didn't agree. In summary, they accept the car had faults that were inconvenient, but believe they acted reasonably in resolving the issues promptly and keeping Mrs C mobile with a courtesy car. They consider the level of usage suggests the car was functionally durable for a significant period and electrical faults are not uncommon in modern cars with complex systems.

VWFS also clarified that the agreement wasn't voluntary terminated, Mrs C paid £21,832 to settle the agreement in full. They said the last recorded fault was in November 2024, following which Mrs C continued to use the car without issues and opted to purchase it.

I informed Mrs C of VWFS' response, and she confirmed she received the car back on 25 February 2025 and arranged to part exchange it for a new car that same weekend. Mrs C has provided evidence that shows the car was purchased for £20,000, so she paid an additional £1,832 to settle the finance agreement. She confirmed she used the car for around a month until her new car was ready, as she relied on a car for her job.

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 outcome as set out in my provisional decision, for the same reasons.

I acknowledge electrical faults can be common in modern cars, but the car Mrs C acquired was brand-new and should've reasonably been free from defects for some time. I accept it seems unlikely the faults would've been present when the car was supplied to Mrs C, given she'd been in possession of it for nine months before she first experienced any electrical issues. But another element of satisfactory quality refers to durability and the expectation here is that goods will last for a reasonable amount of time. And I don't think a reasonable person would expect electrical failures impacting the locking system and all electrical components of the driver door after only a year of acquiring a brand-new car.

VWFS had their single opportunity to repair the car and the electrical faults persisted. So, under the CRA, Mrs C had reasonable grounds to reject the car after the repairs failed to resolve the faults.

I acknowledge that my provisional decision referred to voluntary termination, when in fact Mrs C settled the agreement in full. However, this doesn't change what I think VWFS needs

to do to put things right. That is, to refund the amount Mrs C paid to exit the agreement – being the £1,832 difference between the part exchange value and the settlement figure.

I disagree that Mrs C settled the agreement with the intention to purchase the car for her own use, as VWFS have suggested. I've seen VWFS' internal contact records which clearly note Mrs C had no intention of accepting the car back. And after the car was collected, Mrs C was in communication with this service regarding her ongoing negotiations in relation to the part exchange of the car and a new finance deal. So, I'm satisfied Mrs C settled the agreement with the intention to sell the car after losing faith in it due to the issues she'd experienced.

In summary, based on the evidence available to me, I'm satisfied there is sufficient evidence to determine there was an underlying electrical fault, and that fault meant the car wasn't sufficiently durable. Therefore, I find the car wasn't of satisfactory quality when it was supplied to Mrs C, and VWFS should now put things right in accordance with what I've set out within my provisional decision.

My final decision

For the reasons set out above, I uphold Mrs C's complaint and direct Volkswagen Financial Services (UK) Limited trading as Seat Financial Services to:

- Refund the £1,832 Mrs C paid to settle the agreement.
- Refund the deposit Mrs C paid – not including any dealership contribution.
- Pay 8% simple yearly interest on the refunded amounts paid by Mrs C – calculated from the date of payment to the date of settlement†.
- Pay £300 compensation for the distress and inconvenience caused.
- Remove any adverse information recorded on Mrs C's credit file in relation to this credit agreement, if any.

If VWFS have already paid Mrs C the amounts offered in their final response, these should be deducted from the amounts set out above.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 24 September 2025.

Nicola Bastin
Ombudsman