

The complaint

Mr J complains that a car supplied to him under a hire purchase agreement with Volkswagen Financial Services (UK) Limited (VWFS) was of an unsatisfactory quality.

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

What happened

In July 2023, Mr J acquired a used car through a hire purchase agreement with VWFS. The car was first registered in January 2020 and the finance agreement confirmed it had travelled around 22,732 miles. The cash price of the car was £18,666 and he paid a deposit of £2,000. The amount of credit was for £16,666 and the duration of the agreement was 48 months; with 47 monthly payments of around £302 and a final payment of £7,627.50.

In August 2023, Mr J reported a number of parts having faults including the speakers, CV joint, USB cover and rear brake pads and discs. He also said there was a rubbing noise coming from the front the car. He returned the car to the dealership for repairs, who said the CV joint had no identified defect but replaced and greased the CV joint rubber gaiter. The rear brake pads and discs were replaced, and the USB port cover was repaired.

Mr J complained to VWFS about the quality of the car in January 2024. In their final response, VWFS referred him to the supplying dealership to complain about the service issues he'd experienced, and to an approved dealer to provide a second opinion on the diagnosis. However, in recognition of the disappointment he'd experienced, they offered him £302.07 as a gesture of goodwill, which reflected one monthly payment.

Still unhappy, Mr J referred his complaint to this service. He said as the car had been consistently faulty and the customer service had been poor, he wants to reject the car.

Our Investigator asked VWFS to arrange an independent inspection of the car. This took place in May 2024 and concluded that there was a fault with the rear speakers, a rubbing noise from the left front wheel area when reversing at full lock and a transmission fluid leak.

Having reviewed the findings of the independent engineer, our Investigator thought Mr J's complaint should be partially upheld. They didn't think the rubbing noise made the car of unsatisfactory quality, as it only happened in a very specific set of circumstances. However, they thought it reasonable to expect the speakers to work for more than one month, given the age of the car when it was supplied. They thought VWFS should arrange and pay for the speakers to be repaired and refund 10% of Mr J's monthly payments for the period the speakers were faulty to reflect impaired use. They said the transmission fluid leak was a new issue, so Mr J would need to raise a separate complaint about this.

VWFS accepted the Investigators view, but Mr J didn't agree. He said he reported the rubbing noise in August 2023, which was within 30 days of acquiring it so had a right to reject it at this time. He agreed to repairs based on what he was advised and it was misdiagnosed. He said the noise is worsening and he believes he is causing further damage

by continuing to use it, and it's unfair that he's now stuck with the car because the cause of the noise can't be identified.

On further review, it was agreed that the transmission fluid leak would also be considered under this case. Mr J was asked to provide a diagnostic report, but he didn't agree to this as it was further expense and inconvenience for him, when he has already returned the car for repairs to the supplying dealership three times. He said VWFS should arrange for his car to be collected to be looked at. Mr J confirmed he stopped driving the car around November 2024 and the mileage was just under 40,000.

Another Investigator reconsidered Mr J's complaint and said they didn't think the transmission leak would've been present or developing at point of supply, given the time he'd been in possession of the car, and distance he had travelled in it before this was identified. They reached the same conclusions in relation to the rubbing noise and speakers as the previous Investigator, but had a different opinion on what VWFS should do to put things right. They agreed VWFS should cover the cost of the speaker repairs, and that VWFS's initial compensation offer was fair. But they thought a 5% refund of premiums more fairly reflected the impaired use Mr J had experienced. They also thought VWFS should refund some payments to reflect loss of use while the car was at the garage for repairs.

Mr J then raised a new complaint about the service provided by VWFS. In response, VWFS offered an additional £75 compensation for the added distress and inconvenience caused by not calling him back when requested, which the Investigator thought was fair.

As no agreement was reached, the matter was passed to me to decide. I wrote to both parties, setting out my intention to partially uphold the complaint, and what I think VWFS should do to put things right. I said:

In this case, it's not disputed there were multiple faults on the car when it was supplied to Mr J. Nor that the car wasn't of satisfactory quality due to the speaker fault. What seems to remain in dispute is whether the transmission fluid leak and rubbing noise coming from the car are faults that VWFS is liable for – and what VWFS should do to put things right.

Transmission leak fluid

Based on what I've seen, I'm minded to agree with the Investigator's findings on this point. The leak was found in May 2024, at which point Mr J had been in possession of the car for ten months and had covered nearly 10,000 miles. Had there been a transmission fluid leak when the car was supplied, I think it's unlikely he would've been able to cover such distance and the fault would've presented much sooner.

I haven't seen any evidence that the transmission fluid leak would've been present or developing at point of supply. And giving the time Mr J had been in possession of the car, and the mileage he'd been able to cover when it was found, I think it's reasonable for him to obtain such evidence before VWFS take any further action in relation to this point.

Rubbing noise

I've considered the available evidence and note the independent report confirms the presence of a squeak/rubbing noise from the left front wheel area, but only when reversing with left hand steering lock. This suggests the noise only presents in very specific circumstances. And it's not uncommon for there to be some noise from a car when turning with full lock. So, for me to say this noise makes the car of unsatisfactory quality and VWFS

is liable for this, I'd first need to be satisfied there is a fault present that is causing the noise.

The independent report confirms no damage or defect was identified, and I haven't seen any other evidence to support the presence of a fault.

VWFS agreed to arrange a second independent report on the rubbing noise. But they were then informed that Mr J had parked the car outside the dealership's showroom, blocking the emergency exit and taken the keys, so they were unable to move it. The dealership also explained he'd been banned from the site due to his behaviour towards their staff. I recognise Mr J may have a different perspective on what happened. But what's clear is the breakdown of relationship between Mr J and the dealership has understandably made it difficult for VWFS to arrange the inspection. VWFS have attempted to make multiple alternative arrangements to allow this to happen, but none of the suggested solutions have gained the agreement of all parties involved, including Mr J, the dealership and the independent engineer.

VWFS have already arranged and paid for one independent report and made more than reasonable attempts at obtaining a second independent report. I therefore don't consider it fair to expect VWFS to do anymore here.

So, based on the available evidence, I don't have enough to conclude the rubbing noise makes the car of unsatisfactory quality – or that VWFS needs to do anything to put this right.

However, if Mr J is able to obtain new evidence that confirms the presence of a fault, this should be provided to VWFS for reconsideration.

Summary

Based on what I've seen, I'm minded to say the speaker fault made the car of unsatisfactory quality and VWFS now need to put this right. But I don't find the other rubbing noise or transmission fluid leak to be the result of failed repairs or made the car of unsatisfactory quality. So, I don't think VWFS are responsible for putting these right.

Putting things right

While I think the speaker fault made the car of unsatisfactory quality, and the car has already undergone previous repairs – I don't think rejection is a proportionate remedy given the nature of the fault. VWFS have agreed to repair the speakers and I think this is a reasonable way to put things right.

For VWFS to arrange repairs, they require access to the car. I recognise the efforts VWFS have made to reach an agreement for the car to be inspected, but ultimately they are responsible for repairing the speakers. So, I think VWFS should arrange a courier to collect the keys from Mr J and deliver them to the dealership for the repairs to be carried out. The car should then be delivered to Mr J once repaired.

Our Investigator has also recommended:

- *A refund of payments made during periods where Mr J was without a car;*
- *5% refund of premiums from July 2023 for the impaired use due to the speaker issue;*
- *8% simple interest on the above amounts;*
- *£302.07 (one monthly payment) previously offered by VWFS for the distress and inconvenience caused; and*

- a further £75 offered by VWFS for the distress and inconvenience caused by service related issues.

I find the above to be reasonable and in line with our approach here.

I note the Investigator also said VWFS should remove any adverse information from Mr J's credit file in relation to this agreement, but I don't agree. From what I've seen, Mr J stopped making payments towards the agreement after VWFS had informed him of the adverse impact this would have on his credit file. I understand his reasoning behind not making payments was due to the quality issues he experienced with the car, but regardless of this, the terms require him to maintain his contractual payments.

Responses to my email

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.

VWFS agreed with the recommendations I set out and didn't have anything further to add.

Mr J didn't agree. In summary, he said he doesn't want the car or to have anything to do with VWFS or the dealership anymore. He said he's been treated poorly by the dealership and he's going to get the car back with the same noise he originally complained about. He also said he hasn't made payments towards the agreement as he hasn't been in possession of the car.

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.

It's important to 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.

In considering this complaint I've taken into account 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 J was supplied with a car under 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 Mr J 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.

In Mr J's case the car was used, with a cash price of £18,666. It was three-and-a-half years old and had covered around 22,732 miles when he acquired it. So, the car had travelled a notable distance and it is reasonable to expect there to be some wear to it because of this use. However, where it's found that a car was faulty at point of sale, 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 the finance provider, in this case VWFS, to put this right.

It's clear there have been some faults that have required repair since Mr J acquired the car. It's important to note that just because a car has a fault, this doesn't always mean the car was of unsatisfactory quality. Some of the issues here were cosmetic or wear and tear related, which can be reasonably expected of a used car. I won't go into detail about each individual fault, as it's not disputed they were present, or that they've since been repaired. And given what Mr J has told us about the faults, I'm satisfied repair was a reasonable remedy.

It's also not disputed that the speakers are faulty, nor that this makes the car of unsatisfactory quality when it was supplied to Mr J. VWFS have agreed to repair the speakers, which I think is reasonable.

As set out above, the only issues that remain in dispute here are the rubbing noise and transmission fluid leak, so this is what I've focussed on. I've considered Mr J's response to my provisional findings and having done so, I've reached the same conclusions, for the same reasons.

Mr J has raised multiple complaints relating to the service provided by the supplying dealership, but I won't be commenting on these points here. This complaint is against VWFS and so I can only consider the actions of VWFS in this decision.

I acknowledge Mr J's concern about receiving the car back with the same noise he originally complained about, especially given the time that has passed since he first raised his complaint about this. But having considered all the evidence available, including the findings within the independent report, I don't have enough to conclude the noise is being caused by a fault. There are many reasons why a car may make noises, which aren't always due to a fault. It's not unusual for noises to occur in the circumstances Mr J has described, and the independent engineer confirmed it only occurs in very specific circumstances, and no fault could be identified. I haven't seen any evidence of the noise worsening as Mr J reported, or there being an underlying fault causing it. Mr J may wish to arrange a further independent inspection when the car is back in his possession. If this was to identify a fault, this can be provided to VWFS for further consideration.

While I recognise Mr J's strength of feeling about not wanting any further dealings with VWFS or the dealership, I'm unable to reasonably conclude that VWFS should allow Mr J to reject the car for this reason. Rejection is a remedy set out within the CRA in specific circumstances where goods don't conform to contract. But there are also other remedies, such as repairs, which I find to be more proportionate here for the confirmed fault with the speakers. Without evidence of other faults that would render the car of unsatisfactory quality when it was supplied, or failed repairs, I don't find there to be reasonable grounds for rejection in this case.

Mr J says he stopped making payments towards the agreement as he has been unable to use the car since it's been at the dealership. Had he booked the car in for repairs to the speaker, Mr J would've still needed to maintain his contractual payments, but I would've considered it reasonable for VWFS to refund some of his payments to reflect loss of use. However, this isn't what happened here. Mr J wasn't in possession of the car because he took the car to the dealership, left it there and kept the keys. While it's accepted repairs are

required, I haven't seen anything that suggests the car was undriveable before he did this. And there was little the dealership could do to repair the car while it was in their possession, without being able to access the car. I therefore don't agree it's reasonable to expect VWFS to remove any adverse information from Mr J's credit file for this reason. They informed Mr J of the requirement to maintain his monthly payments, and the impact to his credit file if he didn't.

Overall, I'm satisfied the car was supplied to Mr J with faults, and VWFS have put these right, offered fair compensation for the distress and inconvenience caused and agreed to a payment refund to reflect loss of use. I find the speaker fault made the car of unsatisfactory quality when it was supplied to Mr J, and VWFS now need to put this right by arranging and funding the required repairs. VWFS should also refund 5% of the payments Mr J has made since July 2023 to reflect impaired use due to the speaker fault. Additionally, I agree VWFS could've provided Mr J with a better service when he requested a callback, but I'm satisfied £75 fairly reflects the impact caused by this.

However, I don't have enough to say the rubbing noise is caused by a fault that would render the car of unsatisfactory quality. And I'm persuaded it's more likely than not the transmission leak wasn't present or developing at point of sale, and instead the result of reasonable wear and tear while in Mr J's possession. I therefore don't agree VWFS is responsible for the impact or cost caused by those faults. I realise this will come as a disappointment to Mr J, but for the reasons I've explained, I don't think VWFS needs to do anything more than what I've set out above.

My final decision

For the reasons set out above, my final decision is that I uphold Mr J's complaint and direct Volkswagen Financial Services (UK) Limited to:

- Arrange and pay for a courier to collect the keys from Mr J, the speakers to be repaired and the car to be delivered to Mr J once repaired;
- Refund 5% of the payments Mr J has made since July 2023 for impaired use;
- Refund the payments Mr J made between 12 February and 4 March 2024 while the car was undergoing repairs for loss of use;
- Pay 8% simple yearly interest on the refunded amounts – calculated from the date of payment to the date of settlement†;
- Pay the total of £377.07 offered as compensation for the distress and inconvenience caused, if this hasn't already been paid.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 25 September 2025.

Nicola Bastin
Ombudsman