

## The complaint

Miss A complains about a car supplied under a hire purchase agreement, provided by RCI Financial Services Limited trading as Nissan Financial Services ('RCI').

## What happened

Around April 2023 Miss A acquired a car ('car X') under a hire purchase agreement with RCI. The car is listed with a cash price of £27,793 on the agreement and was around seven months old.

Miss A says the car developed issues. She said the hybrid system constantly broke down and after around ten months the dealer ended the agreement and offered her a new version of the car ('Car Y').

Miss A entered into a second hire purchase agreement with RCI around February 2024. The cash price of car Y was listed on the agreement as £29,835. The agreement shows Miss A paid no deposit.

Unfortunately, Miss A then explained car Y also developed issues. The car was in for various repairs between July 2024 and January 2025. Eventually, it was agreed that the car would be rejected. But Miss A explained she had been asked to pay £2,055 because of 'negative equity' which she was unhappy with. Miss A complained to RCI.

In January 2025 RCI issued a final response to the complaint. This said, in summary, that the car did have issues with it and that at the end of January 2025 an agreement had been reached with the dealer and "*rejection has been accepted*". RCI said Miss A had agreed to pay £2,055 of the settlement figure to the dealer.

Miss A remained unhappy and referred the complaint to our service.

RCI explained to our service that Miss A had traded in car X to acquire car Y. It said negative equity from car X was 'carried over' to the agreement for car Y. RCI said car Y had been agreed to be rejected, but that Miss A owed £2,055.

Our investigator issued an opinion and upheld the complaint. In summary, she said she thought the agreement for car Y should be fully unwound. She said RCI should repay the monthly amounts due for when the car was being repaired from July 2024 until October 2024, unless it showed Miss A had a courtesy car. She said repayments to the agreement should be reimbursed from the point a final courtesy car was returned. And she said RCI should pay Miss A £200 to reflect the distress and inconvenience caused.

RCI disagreed. In summary, it said Miss A agreed that the negative equity from car X was added to the amount financed for car Y. And it pointed to an invoice for car Y that it said showed negative equity on car X.

Our investigator issued a second view and explained she still wasn't upholding the complaint. In summary, she explained she didn't think the invoice outweighed what the

finance agreement showed.

RCI disagreed. In summary, it said there was an 'obvious error' made by our investigator and the negative equity had been carried over from car X to Y. It said Miss A has agreed to pay for the negative equity by having it included in the amount payable for car Y.

As RCI disagreed, the complaint was passed to me to decide.

I confirmed some further details with Miss A. She explained she had been given courtesy cars when car Y was being repaired. She said while these cars were of a good standard, they weren't hybrids and so said this had cost her money in fuel. She explained car Y had remained at the dealer since the final repair in January 2025 and the final courtesy car had been returned around February 2025. Miss A also explained she had paid the £2,055 to the dealer to settle things and she believed the agreement had now ended.

I sent Miss A and RCI a provisional decision on 16 September 2025. My findings from this decision were as follows:

*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 initially think this complaint should be upheld. I'll explain why.*

*Miss A complains about a car supplied under a hire purchase agreement. Entering into regulated consumer credit contracts such as this as a lender is a regulated activity, so I'm satisfied I can consider Miss A's complaint against RCI.*

*When considering what's fair and reasonable, I take into account relevant law, guidance and regulations. The Consumer Rights Act 2015 ('CRA') is relevant to this complaint. This says, in summary, that under a contract to supply goods, the supplier – RCI here – needed to make sure the goods were of 'satisfactory quality'.*

*Satisfactory quality is what a reasonable person would expect, taking into account any relevant factors. I'm satisfied a court would consider relevant factors, amongst others, to include the car's age, price, mileage and description.*

*So, in this case I'll consider that the car Y was new and cost around £30,000. This means I think a reasonable person would expect it to be in near perfect condition and would expect trouble free motoring for a significant time.*

*In this case, all parties are in agreement that the car wasn't of satisfactory quality and there is no dispute about any of the facts in relation to this. So, I don't need to go into any detail here, other than to say I agree a reasonable person would not expect the issues car Y had, so I also find the car was of unsatisfactory quality.*

*A rejection has been agreed for car Y. So, I also don't need to comment in detail here, other than to say I agree Miss A has the final right to reject car Y under the CRA.*

*This then brings me to the crux of the complaint, which is whether Miss A should be responsible for the £2,055 RCI says she needs to pay.*

*Here, I want to explain to both parties that I might not comment on every single point raised or piece of evidence provided. Instead, I'm going to focus my decision on the key facts and try to keep things as simple as possible. It's also important to note that I'm going to have to make some assumptions, where evidence is either contradictory or not available, to decide*

*what I think most likely happened. This reflects the informal nature of our service.*

*Firstly, it's important to note that it doesn't seem in dispute that car X was rejected. Rejection is a specific remedy set out in the CRA. But what appears on the documents from the time is that car X was part exchanged for car Y. There are a few different reasons this might have happened, for instance it might just be the way the paperwork needed to be completed to arrange things. Either way, I don't think I need to make a finding on why this appears to have happened, but I have considered what happened next taking this into account.*

*It's also important to note that I would generally expect when car X and car Y were rejected that the associated finance agreements would be ended with nothing further to pay.*

*The 'part exchange' that was processed at the time does show £2,000 negative equity from the finance from car X. I've seen a copy of an invoice from February 2024. This showed a part exchange value for car X of £22,298.42 and a finance settlement figure of £24,298.42.*

*RCI have explained, in basic terms, that this figure was 'carried over' and financed by the new agreement. But I disagree things are this simple. I say this as if this was the case, I'd expect to see the amount financed as £2,000 over the cash price of car Y.*

*On the agreement for car Y, the cash price is listed as £29,835 and the amount of credit is listed as £29,835. It's worth specifically noting the amount of credit is not showing £2,000 in addition to the cash price, as £31,834.99, nor is any separate arrangement for the £2,000 showing on this agreement, nor have I seen a separate credit agreement for this amount – all of which would indicate that RCI financed the negative equity.*

*So, there is a missing step here. Having reviewed things, I'm satisfied when car X was rejected and car Y acquired, a deposit contribution was made from the dealer of £2,000 towards the new agreement. This showed both on the invoice noted above, which listed a "(manufacturer) Finance Deposit Contribution" of £2000. And it is also reflected on a separate invoice as "Total Grants / Deposit Contributions -2,000".*

*I will comment on this in detail below, but in general terms a consumer would not be expected to repay a dealer deposit contribution.*

*This means there was £2,000 negative equity on Miss A's previous agreement. Car Y cost around £29,834.99, meaning she would 'need' a total of £31,834.99 to acquire the car. The dealer made a deposit contribution of £2,000. From the credit agreement, this shows Miss A then only financed the cash price of car Y.*

*This changes the situation somewhat. In basic terms, I think this means RCI's argument can be seen as that Miss A accepted a deposit contribution towards car Y to cover the negative equity and then agreed for this deposit contribution to be repaid if the agreement ended early.*

*RCI had various obligations at the time, including those set out by the Financial Conduct Authority ('FCA') in the Consumer Credit Sourcebook (CONC), to make sure key details about the finance were set out to Miss A in a clear way.*

*I've seen nothing to show it was explained to Miss A that she was expected to repay the dealer contribution if the agreement ended early, nor that she was made aware of any implications of this. I do not think this is clear from the paperwork at the time. For instance, as above the credit agreement makes no mention of this and the only thing this shows as financed was the cash price of the car. So, this would mean I don't think RCI made Miss A aware of the key details of the finance.*

*It's then worth briefly explaining even if I accepted that Miss A had agreed to repay the £2,000, I would still uphold the complaint. All parties agree car X was rejected. This means the agreement for car X should've been ended with nothing further to pay at the time. It follows no negative equity should've been 'carried over' in the first place. No dealer deposit would then have been required. And so, I would still find Miss A would not owe these funds in any event.*

*As a very brief summary of the above, I can't see at any point Miss A contracted to repay the dealer contribution if the agreement ended early, nor was she made aware this was going to be the case.*

*Thinking about this, I find Miss A should not have had to repay the dealer £2,000 to reject car Y and this should be reimbursed.*

*I've also considered that it appears Miss A was repaid £55 from a road fund licence in order to end the agreement. I also find it is not reasonable she should've had to do this, and this should also be reimbursed.*

*I've then considered what else needs to happen to put things right.*

*Our investigator explained she thought it was most likely Miss A was without use of a car for the 'first repair'. She said RCI should reimburse payments from July 2024 to 22 October 2024. She then said it should reimburse payments from when the later courtesy car was returned until the date of settlement.*

*However, my opinion differs somewhat here. Having spoken to Miss A, she confirmed she did have courtesy cars while hers was being repaired. I'll comment on what she said about these cars below, but I don't think RCI needs to reimburse her monthly payments during this time as she was kept mobile.*

*I do however agree she should not be responsible for monthly payments under the agreement from the point where she returned the final courtesy car to the point the agreement was settled.*

*I find Miss A has been caused distress and inconvenience because of what happened. I think it must have been upsetting to realise her car was not of satisfactory quality. I imagine the impact of this must have been compounded by the fact this was the second car to have had issues. I think it must have been stressful to be asked to pay the £2,000 and she's had to find these funds. I've noted car Y needed to be taken for repairs on four different occasions. These repairs took place over the course of around six months. And I've also thought about Miss A's comments that the courtesy cars supplied were not of the same specification as hers and what this meant for her.*

*Our service's approach to distress and inconvenience can be found on our website. Having thought about these, I'm satisfied RCI should pay her £400 to reflect what happened.*

*I gave both parties two weeks to come back with any further comments or information.*

*Miss A replied and said she agree with the provisional decision and had nothing further to add.*

*RCI didn't respond.*

## **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 thought about all of the information and evidence again, I still think the complaint should be upheld for the reasons explained in my provisional decision and set out above.

## **My final decision**

My final decision is that I uphold this complaint. I instruct RCI Financial Services Limited trading as Nissan Financial Services to put things right by doing the following\*;

- end the finance agreement ensuring Miss A is not liable for monthly rentals after the point of collection (it should refund them any overpayment for these if applicable);
- take the car back (if that has not been done already) without charging for collection;
- Reimburse Miss A any payments made towards the agreement from when the final courtesy car was returned to the dealer until the agreement is, or was, ended\*\*;
- Reimburse Miss A £2,055 that she paid to the dealer;\*\* \*\*\*
- Pay Miss A £400 to reflect the distress and inconvenience caused; and
- Remove any adverse information from Miss A's credit file in relation to this agreement

\* RCI should note if it has already done any of these actions these do not need to be repeated

\*\*These amounts should have 8% simple yearly interest added from the time of payment to the time of reimbursement. If RCI considers that it's required by HM Revenue & Customs to withhold income tax from the interest, it should tell Miss A how much it's taken off. It should also give Miss A a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue and Customs if appropriate.

\*\*\*I have assumed from what Miss A said this has already been paid. If not, RCI should instead ensure she is not responsible to repay this amount to any party.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 29 October 2025.

John Bower  
**Ombudsman**