

The complaint

Ms K complained about the way V12 Retail Finance Limited (V12) dealt with a claim about goods she bought through a fixed sum loan agreement.

What happened

In August 2021 Ms K entered into a fixed sum loan agreement with V12 to purchase sofas from a retailer I'll call S. The cash price was £5,087 and Ms K paid a deposit of £617.24. Ms K needed to make monthly repayments of around £93 for 48 months.

Ms K said the sofas were delivered in November 2021. In December 2021 Ms K complained about the alignment of the headrest. S inspected the sofas in January 2022 and adjusted the back rest and fitted a new button facia. This was noted as a manufacturing defect.

In September 2022 S inspected the sofa again due to Ms K reporting peeling on the armrest. It said that this was due to body oils and was repigmented as a gesture of goodwill.

Ms K complained to V12 in October 2024 about the quality of the sofas she bought. She said the leather was peeling on the seat and armrest and this had worsened over time.

V12 said that due to the length of time Ms K had the sofas she would need to demonstrate that there was a fault. Ms K instructed an independent third party report in December 2024, and this concluded that the sofa had a number of issues including:

- The sofas weren't getting support from the foam, and the materials were of inadequate quality or the correct amount of filling wasn't used from the manufacturer and there were seat springing issues throughout.
- Seams out of alignment – either from the foam deterioration or manufacturing fault.
- Stitching errors.
- Seat requires a colour fast test to determine cause of surface colour peel.

The inspector said as part of the report: "*The price paid for the item implies a good quality product but in my opinion the furniture does not match up to this expectation. The item supplied to the consumer has a number of defects and is not of satisfactory quality. The defects are not the result of normal wear and tear, it is in my expert opinion that the faults lay within the manufacturing of the items.*"

V12 said it sent the report to S and it said that it didn't accept the findings because of the way the measurements were taken – using a laser, and it was based on the inspector's opinion. S also said the only issues reported were to do with the peeling and this was tested and found contaminated with body oils, and the issues with the alignment were only brought up after the warranty expired. It relied on the reports it did earlier. Because S didn't accept the report, V12 didn't agree to do anything.

Ms K referred her complaint to the Financial Ombudsman. An Investigator considered the complaint and upheld it. He said that the report was provided by an independent third party and although V12 and S disputed it, he thought there was sufficient evidence of a

manufacturing fault and V12 should accept the rejection of the sofa. He recommended V12 do the following:

- collect the sofa set and end the agreement with nothing further to pay.
- refund all payments made towards the sofa set purchased.
- pay 8% simple yearly interest on all refunded amounts from the date the claim was rejected until the date of settlement.
- remove any adverse information regarding this item from Ms K's credit file.

V12 didn't agree with the Investigator's assessment. It said that S had done two inspections previously and the reported issue with the leather peeling wasn't a manufacturing fault. It didn't agree with the findings of the third party report as it thought the company that did it was well-known for positive inspection results. The report only referred to the inspector's opinion, and they weren't aware of the manufacturer tolerances or thresholds for the sofa. V12 didn't agree with the way the report was conducted using a laser to measure alignment. It didn't agree that even if the sofas were faulty that Ms K should receive a full refund. It referred to the third party report and didn't state the cause of the soft foam and there is no indication that this was a manufacturing fault.

As V12 didn't agree the case has been passed to me to decide.

I wrote to both parties. Overall, I said that I understood V12 disputed the third party report, but I didn't think it provided anything independent to support its position. I thought the independent third party report Ms K provided was the most persuasive evidence to show that the sofas Ms K bought weren't of satisfactory quality. I said that I thought the complaint should be upheld on the basis there was a breach of contract.

However, I said I didn't agree with all of the Investigator's recommendation to resolve the complaint – specifically a full refund of the payments Ms K made towards the agreement. I said I thought the rest of the recommendations were reasonable. Ms K has also mentioned the cost of the independent report, so I said I think it's fair that V12 pay this if an invoice is sent to confirm the cost.

I explained that as Ms K has had use of the sofa for around four years, I agree a deduction of use is reasonable and in line with the remedies available under the Consumer Rights Act 2015 (CRA). I explained there's no scientific way to calculate this. The cash price of the sofas was £5,087. I don't consider this to be a budget sofa, and my research indicates that the usual lifespan for a mid-priced sofa is expected to be around 10-15 years. I've also considered that there's a number of issues within the report provided by Ms K, which also mention issues with the spring. I've factored in that S provides a 20 year structural warranty for frames, spring & webbing. I think a lifespan of twenty years is quite generous, but I'm persuaded that Ms K should reasonably have expected a much longer period of use without fault or the problems she encountered. I think given the points raised in the report Ms K also had some impaired use of the sofas. Given that the warranty indicates that some parts are expected to last around 20 years and Ms K has had the sofa for around four years, I'm minded to say that a deduction of 20% of the cash price is fair for usage.

I said for completeness I intended to direct that V12 do the following:

- Allow Ms K to reject the sofas and end the agreement with nothing further to pay if the agreement hasn't ended.
- Collect the sofa set at no cost to Ms K.
- Apply a deduction of 20% from the total cash price and refund any payment above this amount (given that Ms K entered into a 48 month agreement, by my calculation

this should have ended in between August 2025 and October 2025 and the agreement settled.

- Upon receipt of an invoice, refund Ms K the cost of the independent report she obtained in December 2024.
- Pay 8% simple yearly interest on all refunded amounts from the date the claim was rejected until the date of settlement.
- Remove any information regarding this item from Ms K's credit file.

Ms K responded and said she didn't agree with my position as she didn't have four years of functional use, and the sofa wasn't of satisfactory condition throughout this period. She said she had impaired use, and the deduction didn't factor this in. She provided a recent photo to illustrate the condition of the sofa and the extent it had deteriorated. She asked that I'd reconsider the 20% of the cash price deduction for use.

V12 responded to state that there wasn't a reference to the previous inspections done by S. The engineers had been aware of the specifications of the sofas and stated there wasn't a fault. It also reiterated the points it previously made about the third party report not stating there was a manufacturing fault with the sofa. V12 said that the third party report instructed by Ms K was done by a company which was known in the industry for offering positive inspection results. The third party report refers to the opinion of the inspector, and the opinion was subjective.

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'd like to thank the parties for their responses. I want to acknowledge that I've summarised the events of the complaint. I don't intend any courtesy by this – it just reflects the informal nature of our service. I want to assure Ms K and V12 that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

When considering what is, in my opinion, fair and reasonable, I must take into account relevant law and regulations; regulator's rules including the Consumer Duty, guidance and standards; codes of practice; and what I believe to have been good industry practice at the relevant time. Where evidence is incomplete, inconsistent or contradictory (like it is here), I reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

Ms K bought new sofas using a fixed sum loan agreement with V12. This is a regulated consumer credit agreement, and our service is able to consider complaints relating to this sort of agreement.

Section 75 makes V12 responsible for a breach of contract or misrepresentation by S, under certain conditions. In Ms K's case, I think the necessary agreement between the parties exists and the claim is within the relevant financial limits.

The Consumer Rights Act 2015 (CRA) is also relevant to this complaint. The CRA implies terms into the contract that goods supplied will be of satisfactory quality. The CRA also sets out what remedies are available to consumers if statutory rights under a goods contract are not met.

It's important to note that I'm not considering a complaint against S. I'm considering a complaint against V12, and I'm looking at how it responded based on the evidence presented. So, I have to consider V12's obligations as a provider of financial services – in this case its liability for breach of contract or misrepresentation under Section 75.

I've noted that S inspected the sofas twice in 2022. During the first inspection, it agreed there was a manufacturing defect, and it adjusted the back rest and fit a new button facia. So whilst V12 states that S didn't agree there was a fault – S' report confirm otherwise and show there was a defect that was repaired. Ms K subsequently reported issues with the leather peeling. S said that this wasn't a manufacturing fault but repainted as a gesture of goodwill.

I've reviewed S' reports and the third-party report Ms K obtained in 2024. While V12 disputes the findings of that report, it hasn't provided any evidence to show the conclusions are wrong. Its comments largely relate to the industry practices and the inspector's approach. I'm not an expert on sofa faults or repairs. I've not been provided any independent information that contradicts the report's findings. On balance, I'm satisfied the report provides enough evidence that the sofas weren't of satisfactory quality, given the number of issues identified.

Under the CRA there is evidence Ms K reported a fault which was identified as a manufacturing defect, which was fixed. She has also reported further faults which have been also found to be as a result of faults with the manufacturing of the sofas. As there have been multiple issues, I consider it more likely than not the sofas weren't of satisfactory quality overall. As there has been one attempt to repair already I think Ms K should now be allowed the final right to rejection.

I've considered the deduction for use, in line with the CRA. Ms K has said she hasn't had functional use of the sofa, but it isn't possible to calculate precisely how much use she did or didn't have. I've not seen evidence that she reported the faults between the last inspection done by S in 2022 and when she contacted V12 in 2024. It's possible she had some unimpaired use during that period. V12 said that 20% of the cash price as a deduction is disproportionate. I've not been given any information to suggest a different amount would be more appropriate. I'm therefore satisfied that a 20% deduction from the cash price is fair and reasonable. V12 should refund Ms K any amount she paid above this amount.

I've also explained that once Ms K provides an invoice, V12 should reimburse her for the cost of the independent report, as she incurred this due to receiving goods which weren't of satisfactory quality under the loan agreement.

I know both parties will be disappointed with my decision. However, based on the evidence available I'm more satisfied than not that the sofas Ms K bought using the fixed sum loan agreement weren't of satisfactory quality and therefore there was a breach of contract.

I know Ms K has expressed that she doesn't agree with a deduction for use. However, she does not have to accept my decision and is free to reject it and pursue this matter via other avenues (such as court) should she wish to do so.

My final decision

- Allow Ms K to reject the sofas and end the agreement with nothing further to pay, if the agreement hasn't already ended.
- Collect the sofa set at no cost to Ms K.

- Apply a deduction of 20% from the total cash price and refund any payment above this amount.
- Upon receipt of an invoice, refund Ms K the cost of the independent report she obtained in December 2024.
- Pay 8% simple yearly interest on all refunded amounts from the date the claim was rejected until the date of settlement.
- Remove any information regarding the item from Ms K's credit file.

*If V12 Retail Finance Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms K how much tax it's taken off. It should also give Ms K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 29 December 2025.

Amina Rashid
Ombudsman