

The complaint

Mrs P complains about the quality of a car she acquired under a hire agreement with RCI Financial Services Limited trading as Nissan Financial Services (NFS).

When I refer to what Mrs P and NFS said or did, it should also be taken to include things said or done on their behalf.

What happened

In November 2021, Mrs P entered into a hire agreement with NFS to acquire a brand-new car. The cash price of the car was £21,990. There was an advance payment of £1,750 and the duration of the agreement was set for 49 months. There were 47 monthly repayments of £289.13 followed by one final repayment of £8,698.62 payable one month thereafter.

Mrs P said the car broke down in March 2024 due to a coolant failure, and later required an alternator replacement. In July 2024, she experienced a misfire, which the garage attributed to spark plugs needing replacement, though she was not informed of this earlier. The misfire returned in October 2024 and, despite raising concerns during the final service and MOT, no action was taken. By December 2024, the car failed to start and after the recovery agents' assistance, it was taken to the garage in December 2024, where it has remained since.

Initial repairs, including a fuel injector replacement, did not resolve the issue. Late in December 2024, the garage diagnosed a failing head gasket—a fault Mrs P said should not occur on a three-year-old car with a mileage that it had travelled (most likely a bit more than 45,192 miles based on the MOT completed shortly before failure). Repairs began in January 2025 but were delayed due to a long time to source parts, leaving her without a car for nearly six months and without a courtesy car.

In April 2025, the manufacturer agreed to cover all parts and 50% of labour, leaving Mrs P responsible for £623.70 plus VAT. Mrs P was not happy with this so she raised a complaint. NFS responded to Mrs P's complaint on 11 April 2025. NFS noted that some issues raised dated back to March 2024, which they could not address as these related to dealership services beyond their control. NFS confirmed the car has been at the dealership since 18 December 2024 for a head gasket replacement. After reviewing the case with the manufacturer and dealership, the manufacturer agreed to cover 100% of parts and 50% of labour costs.

NFS said Mrs P expected full coverage because no extended warranty was offered earlier. However as this fell outside NFS's responsibility as they only provided finance for the car, further complaints about the dealership or manufacturer needed to be raised directly with them. NFS acknowledged Mrs P's concerns but considered the manufacturer's actions appropriate and confirmed the case would now be closed.

Mrs P was unhappy with the above so she referred her complaint to us; the Financial Ombudsman Service (Financial Ombudsman).

Our investigator considered Mrs P's complaint. The investigator was of the opinion that the car was of unsatisfactory quality and proposed a redress to address Mrs P's complaint.

NFS disagreed with the investigator. As such, the complaint has been passed to me to decide.

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.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered good industry practice at the relevant time. Mrs P acquired the car under a hire agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. NFS is the supplier of goods under this type of agreement and is responsible for dealing with complaints about their quality.

I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No courtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.

Also, I am only considering the aspects NFS are responsible for and the ones I am able to look at. As such, I cannot look at certain actions and/or inactions of the dealership(s) or broker which Mrs P might be unhappy about. In this decision I am only looking at the events that have been raised by Mrs P with NFS, the ones they were provided an opportunity to address in their April 2025 correspondence.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mrs P 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 Mrs P's case the car was brand new when she acquired it with a cash price of £21,990. As such, I think a reasonable person would expect it to be of a higher quality than a cheaper and/or previously used car. I think it would also be reasonable to expect the car to last a considerable period of time before any problems occurred, and it would be reasonable to expect it to be free from even minor defects shortly after it was acquired.

First, I considered if there were faults with the car.

From the evidence on file, I can see that the car was experiencing a coolant leak in March 2024, when it had travelled around 36,795 miles. At that time, I understand that the warranty covered the replacement of the water pump and pulley. Subsequent issues included loss of

power due to an alternator connection and misfiring linked to the battery load sensor, both also resolved under warranty.

Later in December 2024, about three weeks after the warranty expired, the car was diagnosed with a failed head gasket (at that time the car had travelled, most likely a bit more than 45,192 miles based on the MOT that was completed shortly before this fault). NFS have said there was no causal link between earlier faults and this issue.

Based on all of the above, I think the car was, most likely, faulty. However, just because a car was faulty does not automatically mean that it was of unsatisfactory quality when supplied. So, I have considered if the car was of unsatisfactory quality when it was supplied to Mrs P.

NFS said there is no indication that the earlier coolant system fault led to, or contributed to the head gasket failure. They said that if the overheating due to the water pump issue had affected the gasket, the symptoms would have emerged shortly after March 2024 events, rather than about six months later. They also indicated that the alternator replacement has no known causal link to the head gasket issues. Furthermore, they said that covering 100% of parts and 100% of labour cost of the gasket repair was done as a gesture of goodwill, without admission of liability.

I have considered all the circumstances of this case, including all the arguments made by NFS, but from the available evidence I think, most likely, the car was not of satisfactory quality and, in particular, it was not reasonably durable. I will explain.

I know that when the head gasket failed, the car had already travelled more than 45,192 miles and Mrs P had it for about three years. However, I do not think a reasonable person would expect a car of this age and with such low mileage to experience a major fault as is the failure of a head gasket on a car that was regularly serviced. Overall, I do not think the car was sufficiently durable. For this reason, I do not think the car was of satisfactory quality.

I understand the repair done appears to have been successful and Mrs P is happy with the repairs, however she thinks it would be fair and reasonable for her monthly repayments, when she was without a car, to be refunded to her. She also believes that she should be paid compensation for the distress and inconvenience caused.

NFS said that a fair and timely goodwill offer of 100% parts and 50% labour was communicated on 12 February 2025 and that a courtesy car was offered to Mrs P on 13 February 2025. As such they said, she should have mitigated her losses and, had she accepted the initial goodwill offer on 12 February 2025 and provided authorisation to repair, it could have been repaired sooner instead of on 29 July 2025. They feel that the extended period the car was off the road beyond February 2025 was a direct result of Mrs P's choice to decline the dealership's resolutions.

NFS also told us that it was not reasonable that Mrs P refused to take the courtesy car due to costs at that time because an insurance excess is a standard contingent liability, payable only in the event of an incident, and not a daily fee or upfront cost. In addition, the dealership proactively offered a solution by suggesting Mrs P could insure the courtesy car under her own policy, thereby avoiding any potential excess charges under the dealership's scheme. Furthermore, they said the dealership offered her an option of a daily insurance at £20 per day, but this was also declined by Mrs P.

I have taken everything NFS have said into consideration but based on the specific circumstances of this case I do not think it is fair and reasonable to say that Mrs P should have mitigated her circumstances as suggested above. I say this for a few reasons:

- The offer was not presented straight away to Mrs P as it was not presented until mid-February 2025. In addition, the offer they were proposing was not a full repair cost for a car that was of unsatisfactory quality. As such, it is not unreasonable that Mrs P was reluctant to accept this.
- Mrs P told us how she was not in a financial position to sustain other expenses. She was already paying £289.13 per month plus tax and insurance on a car she could not use. Given this information, it is not unreasonable that Mrs P was worried about potential costs over and above what she was already paying, considering that she did not know how she would be able to cover the £500 excess if something did happen.
- Mrs P was also not able to afford a £20 per daily insurance cover, and she was not aware how long the repairs would take. Considering how long the repairs did take this would be a significant expense to her which, most likely, she would not have been able to sustain. As such, it is also not unreasonable that she also declined this option.

Based on all the above, I think it is fair and reasonable that Mrs P is refunded payments she had made towards the agreement from 3 December 2024 (when she no longer had use of the car due to the faulty head gasket) until 29 July 2025 (when she got the car back).

NFS should also add interest to the refunded amounts from the date of each payment until the date of settlement. Interest should be calculated at 8% simple per year.

I know that Mrs P has mentioned that this situation had an impact on her and had caused her a lot of distress and inconvenience while trying to resolve it. Mrs P had explained, in great detail, how this has impacted her life. She had to spend a significant amount of time trying to resolve this issue, and, on different occasions, arrange alternative transport. I think Mrs P would not have experienced all of this, had NFS supplied her with a car that was of a satisfactory quality. So, I think NFS should pay her a total of £350 in compensation to reflect the impact this situation had on her, including the distress and inconvenience that was caused. I know that the dealership has also offered a free annual service. However, I still think the £350 is a fair and reasonable amount whether the dealership provides(ed) Mrs P with this offer or not. Also, as this is something that the dealership has offered already, it will be up to Mrs P and the dealership to communicate about this separately.

My final decision

For the reasons given above, I direct RCI Financial Services Limited trading as Nissan Financial Services to:

1. Refund payments Mrs P made towards the agreement from 3 December 2024 (when she no longer had use of the car due to the faulty head gasket) until 29 July 2025 (when she got the car back);
2. Add 8% simple interest per year to all refunded amounts, from the date of each payment to the date of settlement;
3. Pay Mrs P a total of £350 compensation for distress and inconvenience caused.

If RCI Financial Services Limited trading as Nissan Financial Services considers that tax should be deducted from the interest element of my award, they should provide Mrs P 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 P to accept or reject my decision before 19 January 2026.

Mike Kozbial
Ombudsman