

## **The complaint**

Ms B complained that RCI Financial Services Limited (which I'll refer to as RCI) did not provide a used car in the condition it had agreed to provide it under a hire purchase agreement.

She complained too that the terms of the agreement were not properly explained to her and that she now has a worse deal than she had previously enjoyed.

## **What happened**

Ms B had an existing finance agreement with RCI. In October 2024 she entered into a new hire purchase agreement for a different used car. She used her previous car in part exchange and ended the finance agreement in respect of it.

The new hire purchase agreement was for four years. Ms B would borrow £10,619.60 at 13.9% a year and would pay £199.26 a month.

The new agreement recorded that Ms B could withdraw from it within 14 days by notifying RCI in writing or by telephone. If she did that, she would have to repay the amount she had borrowed plus interest at £3.78 a day.

Ms B took delivery of the car on 23 October 2024. On 28 October she contacted the dealership to say that the interior of the car smelt of cigarette smoke. This was something she had observed on the test drive and which the dealership had agreed to rectify before delivery. On 2 November 2024 she asked to end the finance agreement and return the car. RCI said she could end the finance agreement, but that it was for the dealership to decide whether to accept the return of the car. It did not agree to accept a return.

On 27 December 2024 Ms B had the car inspected by a firm specialising in vehicle air-conditioning. It concluded that there was mould on the car's air-conditioning evaporator and that this was producing a cigarette-like smell. Ms B has fairly recently had the car serviced; this may have resolved the issue.

Ms B says as well that the terms of the finance agreement were not properly explained and that she did not have an opportunity to consider them. Now that she has, however, she has found out that they have left her worse off than she would have been under her previous agreement. She will pay more in total over the life of the hire purchase agreement, and the new interest rate is significantly higher.

Ms B referred the matter to this service, where one of our investigators considered what had happened. She did not recommend that the complaint be upheld. She did not believe that the finance agreement had been misrepresented to Ms B. She noted that Ms B had been provided with pre-contract credit information which had set out the main terms of the hire purchase agreement and that Ms B had signed a declaration saying that the dealership had explained the agreement to her and that she had had time to read it and to ask questions.

As far as the odour was concerned, the investigator accepted that Ms B had been told it would be dealt with before delivery, but she noted that the dealership had offered a full valet of the car. She thought that was a fair offer and so did not recommend that RCI do anything more.

Ms B did not accept the investigator's assessment and asked that an ombudsman review the case.

I did that and issued a provisional decision, in which I said:

*I'll deal first with the complaint that the finance agreement was not properly explained and that it placed Ms B in a worse position than she would have been had she not exchanged her existing car for a different one.*

*Ms B signed a form headed "Pre-Contract Credit Information" on 20 October 2024, three days before she took delivery of the car. It included information about the proposed finance agreement, including the amount and number of monthly payments, total amount of credit, finance term, interest rate, and total she would repay.*

*The actual hire purchase agreement included the same information. Ms B signed it as well.*

*The usual position is that a person is bound by their signature on a document, whether they have read it or not. In this case, both the pre-contract information document and the hire purchase agreement itself were in the format required under relevant consumer protection legislation, and they both included all the information which that legislation requires. In the circumstances, I cannot fairly conclude that Ms B was not given a proper opportunity to consider what she was agreeing to.*

*It is not for me to say whether the new hire purchase agreement was a good deal, either in its own right or in comparison to her previous agreement. It was what Ms B agreed to.*

*As far as the quality of the car is concerned, the investigator noted, correctly, that the effect of the Consumer Credit Act 2015 is that the hire purchase agreement was to be read as including a term that the car would be of satisfactory quality – meaning the quality a reasonable person would expect in the circumstances.*

*But in this case, and whatever was meant by satisfactory quality, I think it is clear that Ms B raised the issue of the odour before she took delivery and that the dealership agreed to fix it. That is evidenced by email exchanges from the time. I think it is clear too from the later inspection that the issue was not resolved before Ms B took delivery of the car. The source of the smell – mould in the air-conditioning unit – was still present a few weeks later.*

*The investigator took the view that the offer to clean the car (and in particular its upholstery) was reasonable in the circumstances. Given the source of the problem, however, it does not appear to me that this would have resolved things in any event.*

*In my view, a fair resolution would be to put Ms B in the position she would have been if the issue had been resolved before delivery – as the dealership agreed. As the investigator noted, statements made by the dealership in connection with the hire purchase agreement are to be taken as made on behalf of RCI.*

*So, to the extent Ms B has paid to have the air-conditioning issue resolved, RCI should refund the cost of that work to Ms B. That includes the cost of the initial inspection and diagnosis – £60. I would invite Ms B to provide evidence of any other costs she has incurred.*

*I note that Ms B says she should be able to end the finance agreement at no cost to herself. I have considered what she has said about that, but in my view that would be a disproportionate remedy, and not one which would be fair or reasonable.*

RCI accepted my provisional findings, but Ms B did not. She said, in summary:

- The issue of the odour from the air-conditioning system has not been resolved.
- Information about the finance agreement was not provided in printed form, as required by the relevant regulations.
- She did not have a proper opportunity to consider the terms of the hire-purchase agreement. The agreement was produced on the same day she took delivery of the car.
- RCI did not carry out a proper assessment of affordability.
- She did not know whether RCI had paid the dealership a discretionary commission, but that issue should be investigated.

### **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.

When Ms B initially raised this complaint, she referred to two issues, namely the car's condition at delivery and the explanation of the terms of the finance agreement.

In her response to my provisional decision, however, she has raised further issues: affordability and commission.

This service can only consider a complaint once the respondent to it has had an opportunity address it. Ms B has not previously raised affordability or commissions as a complaint, and RCI has not therefore addressed any complaint which Ms B might have about them. Further, this service has not had an opportunity to consider any response which RCI might make and has not expressed any view on those matters. I do not believe therefore that I have any power at this stage to make a determination on Ms B's complaint(s) about affordability or commission, and I make no further comment on them. That does not, however, affect any rights which she might have to raise them as new complaints.

I turn then to the elements of Ms B's complaint which I can consider. I'll deal first with the provision of information about the finance agreement.

The part of the Financial Conduct Authority's Handbook which deals with consumer credit is contained in the Consumer Credit Sourcebook, known as CONC. Under CONC 4.2.5 R RCI had to provide an adequate explanation of the main features of the agreement; CONC refers specifically to the level of payments and to features which might make the credit unsuitable. RCI was also required to provide Ms B with an opportunity to ask questions.

I note that Ms B exchanged emails with the dealership for more than a week before she signed the agreement, and that it was a few days later that she took delivery of the car. She had been told what the monthly payments were, and the dealership had noted that they were less than her existing payments.

In addition, RCI had to provide in a durable medium (which includes electronic communications) an explanation that Ms B would not own the car until all payments had been made and that goods could be repossessed. That information was included in the pre-contract information.

RCI was not required however to consider the relative merits to Ms B of her existing arrangements as compared to the new hire purchase agreement.

In deciding what I consider to be fair and reasonable, I am required by law to take into account any relevant regulations (amongst other things). It does not necessarily follow,

however, that a financial business which has complied with relevant regulations has acted fairly; nor does it follow that a business which has not followed regulations has acted unfairly.

In this case, however, I am satisfied that RCI provided Ms B with sufficient information about the hire purchase agreement to enable her to decide whether it met her needs. She knew, or should have known, how much she was borrowing, what the monthly payments were, how long the agreement would last, how much her total payments would be and what the interest rate was. If she was unclear about any of those matters, she had the opportunity to check – and indeed, it appears that she did so.

I note as well that, if any of the features of the hire purchase agreement were not what Ms B had been expecting, she could have cancelled it within 14 days. If she did so, however, she would have to repay the full amount of the credit (or persuade the dealership to do so), plus interest at £3.78 a day.

In my provisional decision I invited Ms B to provide evidence of any costs she had incurred in having the odour issue resolved – over and above the £60 she has paid for a diagnosis. She has told me that the problem has not been resolved, but I have seen no evidence of any further costs she has incurred. I will not therefore be able to place a figure on any award.

Perhaps more significantly, there is no evidence to corroborate her statement that the problem persists or that it cannot be resolved. In the circumstances, I do not believe I can fairly conclude that I should reach a different conclusion from that in my provisional decision.

RCI accepted my provisional decision, but I will make a formal award, so that Ms B can enforce it, should she need to do so.

### **My final decision**

For these reasons, my final decision is that, to resolve Ms B's complaint in full, RCI Financial Services Limited should reimburse or meet the costs to Ms B of resolving the air-conditioning issue identified on 27 December 2024. It should also pay her £100 in recognition of the inconvenience to which she has been put.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 9 December 2025.

Mike Ingram

**Ombudsman**