DRN-5954933

The complaint

Mr H is unhappy that a car supplied to him under a hire purchase agreement with Honda Finance Europe Plc trading as Honda Financial Services was of an unsatisfactory quality.

What happened

In June 2024, Mr H was supplied with a new car through a hire purchase agreement with Honda. He paid a £3,500 deposit and the agreement was for £42,890 over 48 months; with 47 monthly payments of £702.73 and a final payment of £18,159.16. The agreement limited Mr H to 18,000 miles a year (72,000 miles over the course of the agreement) and contained a clause stating that Mr H was responsible for any damage to the car that fell outside of normal fair wear and tear.

Mr H had problems with the car that included noise and vibration from the doors, air flow noise, steering problems, windows steaming up when driving, and water building up in the car overnight. He complained to the dealership who agreed to repair the car. However, due to an availability of parts, the completion of the repairs were delayed.

Mr H complained to Honda, but they said that, now the parts were in stock, Mr H had denied the dealership the opportunity to complete the repairs. Unhappy with this response, Mr H brought the matter to the Financial Ombudsman Service for investigation.

Our investigator said that there were faults with the car that any reasonable person wouldn't expect to be present with a brand-new car. They didn't think the delay in repairing the car was reasonable and, as a result, Mr H should now be allowed to reject the car.

The investigator said that Honda should collect the car and unwind the agreement, refund the deposit Mr H paid, refund 5% of the payments Mr H made to reflect his impaired usage of the car, and pay him £250 compensation for the distress and inconvenience caused.

However, the investigator said that it wouldn't be fair for Honda to charge Mr H any excess mileage charges, and these should only be considered on voluntary termination or at the end of the contract.

While Honda agreed to accept rejection of the car, they said that the deposit refund shouldn't include the £2,000 dealership contribution. Honda also agreed to the 5% payment refund and the £250 compensation, but felt they should be able to charge Mr H for any mileage he's done in excess of what the agreement allowed, and for any damage to the car that fell outside of fair wear and tear.

Mr H agreed with Honda's view on the deposit refund, but he didn't agree that he should be liable for any excess mileage charges, or for any damage to the car. So, this matter has been passed to me to decide.

While this matter was waiting to be passed to me, both parties agreed that the car could be collected and the agreement unwound. This happened and the car was inspected on 29 September 2025 when it had done 33,375 miles. This report found damage to the car that

fell outside of normal wear and tear, and the inspector said the costs of these repairs were £800. However, when considering the faults with the car and the damage done by the dealership when attempting a repair, Honda reduced these charges to £310.

Honda also said that, based on the inspection mileage, Mr H had exceeded the agreed mileage by 9,240 miles, so they would be charging £880 excess mileage. So, they proposed deducting these charges from the deposit refund, while still paying Mr H 5% of the payments he'd made, plus the £250 compensation.

Mr H didn't agree to this, as he didn't think he should be charged any excess mileage. He also disagreed with some of the charges for the damage to the car, saying that the bonnet respray had been done by a manufacturer workshop, and that some of the damage had occurred after the car was collected.

I issued a provisional decision on 29 October 2025, where I explained my intention to uphold the complaint. In that decision I said:

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. 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 had regard to 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 H was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to investigate complaints about it.

The Consumer Rights Act 2015 ('CRA') says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of goods, Honda are responsible. What's satisfactory is determined by things such as what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history and its durability. Durability means that the components of the car must last a reasonable amount of time.

The CRA also implies that goods must confirm to contract within the first six months. So, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied, unless Honda can show otherwise. So, if I thought the car was faulty when Mr H took possession of it, 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 Honda to put this right.

In this instance, it's not disputed there was a problem with the car supplied to Mr H, and rejection had been agreed, with the car being collected. As such, I'm satisfied that I don't need to consider the merits of this issue within my decision. Instead, I'll focus on what remains in dispute, the excess mileage and damage charges.

I've seen a copy of the agreement Mr H electronically signed on 6 June 2024. In signing this, it's reasonable to say that Mr H read and accepted the terms of the agreement.

<u>Excess Mileage</u>
The agreement is clear that Mr H was limited to 18,000 miles a year, with a total agreed mileage of 72,000 miles. The agreement also specified a guaranteed future value of the car, which was based on its expected condition and mileage at the end of the agreement.

Specifically, the agreement states "when returning the Vehicle, you should ensure that the mileage travelled by the Vehicle does not exceed the Agreed Mileage." I've noted that this says 'agreed mileage' not 'total agreed mileage', so I think any reasonable person would expect this to refer to both the 18,000 miles a year and the 72,000 miles over the full term of the agreement, and not just the 72,000 miles. What's more, this just refers to when the car is returned to Honda, and it doesn't specify that this only applies if the agreement is voluntarily terminated or naturally comes to an end (as argued by the investigator).

Where the agreed mileage has been exceeded, the agreement allows Honda to apply an excess mileage charge of 9.66 pence per mile, plus VAT.

Based on this, I'm satisfied that Honda are able to charge Mr H for any mileage in excess of the agreed mileage. However, if, in response to my provisional decision, Mr H can provide evidence of mileage he had to do specifically because of the faults with the car, then I would expect Honda to remove this from the overall excess milage before calculating the charge.

Damage Charges
The agreement also makes it clear that Mr H is responsible for keeping the car in good condition and, if he doesn't, then he would be liable for "the cost required to bring the Vehicle up to good condition."

The car was inspected on 29 September 2025, and the following areas of damage that fell outside of industry standard fair wear and tear guidelines were noted:

1. *scuff to facia panel over 25mm - £45*
2. *scuff to nearside front door pad up to 25mm - £45*
3. *poor previous paint repair to bonnet - £220*
4. *multiple chips to front bumper - £55*
5. *nearside front wing scratched through paint work up to 25mm - £65*
6. *nearside front wheel scratched up to 50mm - £65*
7. *nearside front door scratched through paintwork up to 25mm - £65*
8. *nearside rear door scratched through paintwork up to 25mm - £65*
9. *offside front door chipped on edge - £55*
10. *nearside front wheel scratched over 50mm - £65*
11. *roof chipped - £55*

This means the total charge for bringing the car back to a good condition is £800. While it's fair and reasonable that Mr H is charged for the damage to the car, it isn't fair that he's charged for any damage that directly relates to the faults with the car. After reviewing the inspection report on this basis, Honda have removed charges 1 and 2, reducing the overall charge to £710. They've also written off £400 as a gesture of goodwill, bringing the charge down to £310.

Mr H has provided a copy of the collection report, where the collection agent specified the damage to the car. Mr H signed to agree this damage. The damage identified at collection was:

- *damage to the front bumper (item 4 - £55)*
- *scratch to the nearside front door (item 7 - £65)*
- *scratch to the nearside rear door (item 8 - £65)*
- *missing charging cable (not chargeable)*
- *scratch to nearside rear inner sill (not chargeable)*

Based on this report, Mr H has agreed to damage chargeable at £185. He's also said that the poor paintwork repair (item 3) was done at an approved manufacturer's garage so, while he accepts this was also present at collection, he doesn't think he should be charged for this.

This leaves items 5, 6, 9, 10, and 11 in dispute. I think that, had these items (with the exception of 11 – the chips to the roof) been present when the car was collected, due to the nature of the damage they would've been identified on the collection report. As they weren't, I don't think it's fair for Honda to charge for these. However, I don't consider it likely that the inspection agent would've checked the roof of the car in great depth, given the inaccessibility issue. I therefore think it's fair that Mr H is charged for this.

This means that Honda are entitled to charge Mr H £240 for the damage to the car that was present upon collection. If, as part of his comments on my provisional decision, Mr H can evidence that the bonnet was resprayed at a manufacturer approved garage, then Honda are also not able to charge for this. However, if Mr H is unable to provide this evidence, then Honda are able to charge the reduced amount of £310 they've offered.

Finally, as both parties have accepted that Mr H should be paid 5% of the payments he's made, to account for the impaired usage he had of the car due to the faults, and that he should receive a refund of the deposit he paid and £250 compensation for the distress and inconvenience he's suffered; I see no compelling reason why this shouldn't also form part of my provisional decision.

Responses

Honda accepted my provisional decision. They also said that, as Mr H took the car back to the dealership on four occasions, due to the faults, between August and December 2024, then they were happy to deduct this from the excess mileage without Mr H needing to provide any evidence. They also said that, as the journey from Mr H's address to the dealership was 19.9 miles each way, they were reducing the excess mileage by 160 miles.

Mr H provided an invoice showing that the bonnet was provided with a 'lifeshine' paint protection by a manufacturer approved company on 8 January 2025. However, he didn't agree that there should be an excess milage charge as the car was handed back due to quality issues. He didn't think this was fair as he said he was planning on paying the final payment of £18,159.16 when the agreement ended and keeping the car.

He didn't think he should be charged for any damage for the same reason – the car was rejected not handed back. He also said that, while he signed the collection paperwork, he didn't accept there was any damage to the car, and that the inspector could've climbed onto the tyre to be able to inspect the roof.

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've noted Mr H's comments that the car was rejected for quality issues, not handed back, so he shouldn't be liable for any excess mileage or damage charges. I've also noted he said it was his intention to pay the final payment and keep the car, therefore negating any mileage the car had done.

While these have been noted, as I said in my provisional decision, the agreement Mr H signed doesn't specify that these charges are only applicable in certain circumstances – they are applicable whenever the car was returned, regardless of why. Also, while it was Mr H's

intention to keep the car at the end of the agreement, the car belonged to Honda until the final payment had been made. So, until this point, Mr H was bound by the terms of the agreement, including the requirement to keep the mileage below the specified amount and to keep the car in good condition. And failure to do this allowed Honda to charge Mr H.

As such, and while I accept that Mr H won't agree with me, Honda are entitled to charge him for the excess mileage he's travelled and the damage to the car that fell outside of normal fair wear and tear.

Honda have agreed to reduce the excess milage by 160 miles to 9,080 miles. Having considered this, I think it's fair. And Mr H didn't provide any evidence to show that he had to travel more than 160 miles as a result of the faults to the car. So, I'll be asking Honda to recalculate the charges on this basis.

Mr H provided evidence of the work done on the bonnet by a manufacturer's approved garage. Therefore, the related charge should be removed. While Mr H has said that the inspector could've stood on the tyres so as to inspect the roof, doing so would risk additional damage being done to the car's paintwork by the inspector leaning against it. It would also likely breach any health and safety requirements for an inspection.

What's more, Mr H said the inspector could have stood on the tyres, not that they did stand on the tyres. As Mr H was present at the inspection, it's reasonable for me to assume that this didn't happen and, therefore, a detailed inspection of the roof didn't take place. As such, I stand by my comments in the provisional decision that Honda are reasonable to charge Mr H for the damage to the roof of the car.

Finally, Mr H has said that he didn't sign to say the damage to the car was present upon collection. However, the declaration Mr H signed specifically stated that he:

- *"Agreed with damage*
- *Agreed with mileage"*

I'm therefore satisfied that, in signing the collections document, Mr H agreed with the damage to the car.

Putting things right

For the reasons stated above and in my provisional decision, Honda should:

- remove any adverse entries relating to this agreement from Mr H's credit file;
- refund the deposit Mr H paid (if any part of this deposit is made up of funds paid through a dealer contribution, Honda is entitled to retain that proportion of the deposit);
- refund 5% of the payments Mr H paid, to reflect the impaired usage of the car;
- apply 8% simple yearly interest on the refunds, calculated from the date Mr H made the payments to the date of the refund[†]; and
- pay Mr H an additional £250 to compensate him for the trouble and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality (Honda must pay this compensation within 28 days of the date on which we tell them Mr H accepts my final decision. If they pay later than this date, Honda must also pay 8% simple yearly interest on the compensation from the deadline date for settlement to the date of payment[†]).

†If HM Revenue & Customs requires Honda to take off tax from this interest, Honda must give Mr H a certificate showing how much tax they've taken off if he asks for one.

For clarity, Honda, in line with the agreement Mr H signed, are entitled to deduct from the above:

- excess mileage charges for 9,080 miles; and
- damage charges totalling £240

My final decision

For the reasons explained, I uphold Mr H's complaint about Honda Finance Europe Plc trading as Honda Financial Services. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 December 2025.

Andrew Burford
Ombudsman