DRN-5969803

Financial Ombudsman Service

The complaint

Mr H complains that a car acquired under a conditional sale agreement with Volvo Car Financial Services UK Limited ("VCFS") wasn't of satisfactory quality when it was supplied to him.

What happened

Both parties are familiar with the background of this complaint so I will only summarise what happened briefly here.

In April 2024, Mr H acquired a brand-new car through a dealership (L). He paid a deposit of £22,500 for the car, with the purchase balance being provided under a conditional sale agreement with VCFS. The agreement was for 49 months, with 48 monthly payments of £483.42, and an optional final payment of £25,116 if Mr H wanted to keep the car at the end of the agreement. The cash price of the car was £61,935.

In February 2025, Mr H took the car to L for its service. At this time it was displaying a warning message on the dashboard, telling him to turn off the engine and stop safely, as there was no engine oil pressure. He asked L to take a look at it alongside the service. L completed the service and told Mr H the warning message had been removed.

However, the warning message reappeared within a few days. He spoke to L again about it, and they took the car back in early March 2025 for a full system reset. The car was returned to Mr H the following day.

The warning message then kept reappearing intermittently, accompanied by a warning sound, and in May 2025 Mr H reported it to L again. They took the car back in early June 2025, and this time they explained to Mr H that the warning message was as a result of a 'ghost code' in the internal management system. They said it was a known 'ghost code' to the manufacturer, but there was no imminent prospect of a remedy. They removed the warning message again, and Mr H had to take the car back. The car had covered approximately 22,700 miles at this point.

He got in touch with VCFS at the same time as he brought his complaint to our service. VCFS didn't uphold it. They said Mr H had been in possession of the car for longer than six months, so he needed to show the fault with the car had been present or developing at the point of supply. Mr H told our investigator he wanted to reject the car and end the agreement.

Our investigator upheld the complaint. She said she was satisfied the car wasn't sufficiently durable, as required under the Consumer Rights Act 2015. She said she felt the fault wasn't caused by Mr H or his use and, considering it was a brand-new car when acquired, she was persuaded it was a known manufacturer issue, as confirmed by L. She said the car should have remained fault-free for a longer period of time than had been seen in this case. She asked VCFS to allow Mr H to reject the car and end the agreement. She said he should receive his deposit back, and 15% of his monthly payments made from February 2025 when

the fault first occurred to reflect any impaired use he'd had of the car. She also asked VCFS to pay Mr H £350 compensation for the impact this had had on Mr H.

VCFS didn't agree. They said the 'ghost code' wasn't a fault with the car.

As VCFS didn't accept, 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.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations, relevant regulatory rules, guidance and standards and codes of practice.

As the conditional sale agreement is a regulated consumer credit agreement this service is able to consider complaints relating to it. VCFS are the supplier of the goods under this type of agreement and are responsible for a complaint about their quality.

The Consumer Rights Act 2015 (CRA) covers agreements like the one Mr H entered. Because VCFS supplied the car under a conditional sale agreement, there's an implied term that it is of satisfactory quality at the point of supply. Cars are of satisfactory quality if they are of a standard that a reasonable person would find acceptable, taking into account factors such as, amongst other things, the age and mileage of the car and the price paid.

The CRA also says that the quality of goods includes their general state and condition, and other things like their fitness for purpose, appearance and finish, freedom from minor defects and safety can be aspects of the quality of the goods.

Satisfactory quality also covers durability. For cars, this means the components must last a reasonable amount of time. Of course, durability will depend on various factors. In Mr H's case, the car was brand-new when supplied, and it wouldn't be expected to have any quality or durability concerns for a significant period of time.

Our investigator has explained that she thinks the car wasn't of satisfactory quality when it was supplied to Mr H. Or rather, the car wasn't sufficiently durable because of the warning message intermittently appearing and its associated sound. I agree in this case. I'm satisfied that the warning message appearing intermittently since February 2025 without a reasonable timeframe for being remedied makes the car not durable – when I consider the age and mileage of it, and the price Mr H was willing to pay. I'll explain why.

The CRA explains that where goods are found not to have conformed to the contract within the first six months, it is presumed the goods didn't conform to the contract at the point of supply. Unless the supplier, VCFS in this case, can prove otherwise. Mr H brought the problems to VCFS's attention in June 2025 – although he had raised concerns with L a few months earlier – 14 months after he'd been supplied with it, so it was for him to show the faults had been present from the point of supply.

However, in this case Mr H isn't suggesting the fault was present when the car was supplied. He feels it's more to do with the software updates the manufacturer sends to the car, with no intervention from Mr H. His testimony has been clear and persuasive throughout, and I'm satisfied he first noticed the fault when he took the car to L for a service in February 2025. L said they had cleared the warning, but it appeared again shortly after Mr H had collected the car. Mr H has said L conducted a full system reset on the car in March 2025 – although VCFS haven't provided any job cards for this – but the warning message continued to

appear intermittently, along with a warning sound, over the next couple of months. And it was in June 2025 that L explained the warning message was appearing due to a ‘ghost code’ that had been programmed into the car, which the manufacturer didn’t consider to be a fault.

In their response to our service, VCFS have provided comments from L that confirm the car is producing an incorrect code, the ‘ghost code,’ resulting in the warning message appearing and the warning sound being heard. And it had explained previously that this ‘ghost code’ was explained in the manufacturer's technical journal, with no proposed timeframe for a remedy.

The fact that it’s accepted that an incorrect code is being received via the car’s software, which in turn is making the warning message appear and warning sound to be heard, persuades me that this is indeed a fault with the car under the CRA as it appears to have a defect. And, considering that Mr H had committed to acquiring a new, high-end car at considerable cost, I’m satisfied the fault, or defect, renders the car as not durable. I don’t think a reasonable person would expect a car of this price and age to have a fault of this nature after only a year of being supplied with it.

The CRA also covers safety. Mr H has provided a video of the car being driven with the warning message being displayed intermittently along with the warning sound, and it is clearly distracting, and requires intervention from the driver to reset. I’m more satisfied than not that this brings the safety of the car into question too.

The CRA allows for one opportunity to repair. But the car has been back to L three times already, and the warning message and warning sound are still present. As a repair attempt hasn’t been successful, Mr H can now reject the car. VCFS should end the agreement and stop collecting any monthly repayments from Mr H. They should also arrange to take the car back from Mr H without charging him for collection. VCFS should also refund Mr H’s deposit, so he’s in the same position as he was in prior to acquiring the car and can consider his options for acquiring a new car.

Mr H has had use of the car whilst it’s been in his possession, although that use has been impaired because of the fault. The CRA says that a deduction can be made from any refund to take account of the use the consumer has had of the goods in the period since they were delivered. It doesn’t set out how to calculate fair usage and there’s no exact formula for me to use. There’s not an industry standard mileage figure. That said I do think it’s reasonable that Mr H pays for the use he’s had of the car since being supplied with it. Our investigator has said that VCFS should refund Mr H 15% of each monthly repayment he’s made since February 2025. I’m satisfied that’s fair to reflect the loss of enjoyment he would have had having decided to acquire a brand-new car.

Mr H has explained the impact being supplied with a car of unsatisfactory quality has had on him. He acquired a brand-new car and was looking forward to using it, and that has been negated by the problems he’s experienced after a short time in possession of it. He has explained that the car feels unsafe to drive, and it’s a concern for him as he uses it to transport his family. No amount of money can change what’s happened. But the compensation I’m awarding is in line with what’s awarded where the impact of the mistake has caused considerable distress, upset and worry. VCFS must pay Mr H £350 to reflect the upset of being supplied with a car that wasn’t of satisfactory quality.

I’d like to remind Mr H that he’s able to reject this decision if he believes he can achieve a better outcome by alternative means, such as through the courts.

My final decision

For the reasons above, I uphold this complaint. Volvo Car Financial Services UK Limited must:

- End the finance agreement ensuring Mr H is not liable for monthly rentals after the point of collection (they should refund Mr H any overpayments for these if applicable).
- Take the car back (if that has not been done already) without charging Mr H for collection.
- Refund Mr H's deposit/part exchange contribution of £22,500.
- Refund 15% of all monthly repayments made by Mr H from February 2025, when the fault first occurred, to reflect the impaired use of being supplied with a car of unsatisfactory quality.
- Pay 8% simple interest on all refunded amounts, from the date of payment until the date of settlement.*
- Pay Mr H £350 to reflect the upset caused to him by being supplied with a car of unsatisfactory quality.
- Remove any adverse information, in relation to this agreement, from Mr H's credit file (if applicable).

*If Volvo Car Financial Services UK Limited consider that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr H how much they've taken off. They should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 January 2026.

Kevin Parmenter
Ombudsman