

The complaint

Mr G complains about the quality of a car he has been financing through an agreement with BMW FINANCIAL SERVICES (GB) LIMITED trading as ALPHERA Financial Services (who I'll call Alphera).

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

On 3 December 2024, Mr G entered into a hire purchase agreement with Alphera to acquire a used car. The car broke down in February 2025, and a hybrid DC converter was replaced in late March after delays due to parts availability. When Mr G collected the car he immediately complained to the dealership as he said the Engine Management Light (EML) had illuminated. Mr G asked to reject the car and didn't want it repaired.

He complained to Alphera, and when they were slow to respond, he referred his complaint to this service. Alphera subsequently explained that they believed there were insufficient grounds to reject the car. They paid Mr G £687 for the DC converter repair and refunded £321.11 (20% of monthly rentals) for loss of enjoyment. They also provided £150 to compensate Mr G for the distress and inconvenience he'd been caused. They wouldn't allow rejection of the car as they thought the problem with the EML was due to an Exhaust Gas Recirculation (EGR) issue that was often the result of driving style and that it was resolved simply by accepting the automated software download that had come up on the car's infotainment screen.

When Mr G referred his complaint to this service our investigator thought Alphera should allow rejection as legislation allowed Alphera only one chance to repair a fault that was present when the car was supplied, and there had been two.

Alphera disagreed. They asked for a decision by an ombudsman and they explained that they were seeking to default the agreement as the car had been abandoned uninsured at the dealership by Mr G and it had come to light that the car wasn't registered to Mr G but to his partner. They said Mr G had breached his contract with them.

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 agree with the investigator's view of this complaint and for broadly the same reasons.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on

board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mr G acquired his car under a hire purchase agreement, which is a regulated consumer credit agreement. This means our service is able to consider complaints about it. Under the Consumer Rights Act (2015), the car must have been of satisfactory quality when supplied. Given the car was three years old and had already covered 24,950 miles, a reasonable person would expect signs of wear and tear. The legislation requires us to assess whether the car's condition at the time of supply met reasonable expectations for a vehicle of that age, mileage, and price. If it didn't then Alphera, who are also the supplier of the car, are responsible.

I think the fault with the DC converter was likely to have been present or developing when the car was supplied. It surfaced within about 10 weeks and Alphera haven't sought to provide any evidence to dispute the assumption it was present or developing when the car was supplied. Indeed, they've offered compensation and paid for the repair.

The relevant legislation allows a business one opportunity to repair a car. Alphera had that opportunity in March 2025 when the hybrid DC converter was repaired.

If a further fault occurs and if that fault was present or developing when the car was supplied then the relevant legislation would allow the consumer to reject the car. So the question for me to decide is whether the presence of an EML when the car was collected after the first repair means the car now had a new fault and if so, whether the fault was likely to have been developing from inception.

I've seen a diagnostic from the dealership that was completed on 30 April 2024. It says "*EGR "B" flow insufficient*" and I think it's reasonable to suggest that was the problem that was causing the EML to illuminate as I've seen no other explanation. The dealership say they accepted the software download message and when the software was updated the EML was, and remained, extinguished. But I've also seen a job card from 2 May 2025 where the EGR cooler filter was replaced and that would suggest that the fault required a little more rectification than just a software update. But regardless I think it is fair to treat the EML/EGR episode as a further failure as it manifested as a fault condition, triggered a diagnostic intervention and required remedial work.

The relevant legislation explains that if a fault is reported within the first six month it is assumed to have been present or developing when the car was supplied unless the business can demonstrate otherwise. I don't think Alphera have been able to do that here and I'm therefore persuaded this was a further fault and Mr G should be allowed to reject the car.

While Alphera have raised concerns about the car being in Mr G's partner's name and being driven by them and not being insured since Mr G left it at the dealership, I'm not persuaded this is relevant to the issues I've found. Alphera haven't shown that that these points caused or contributed to the faults present at supply. In those circumstances, I don't think it would be fair or reasonable for Alphera to rely on those matters to avoid Mr G's statutory right to reject the car. I think the agreement should be ended as a result of Alphera's breach (supplying a car of unsatisfactory quality) not the alleged contractual breaches of Mr G that are ancillary and unrelated to the quality issue. To default the agreement on those grounds would to my mind undermine the statutory remedy and place Mr G in a worse position for having tried to exercise his consumer rights.

Putting things right

Alphera should collect the car at no cost to Mr G, and they should end the finance agreement.

They'll need to refund any deposit Mr G has paid and, as he's been deprived of that money, they will need to add interest to that refund.

Mr G's use of the car in April 2025 was impaired by the quality issues he was experiencing and I think Alphera should therefore refund 20% of that finance instalment in respect of loss of use.

They should refund any rentals that have been paid since Mr G returned the car to the dealership on 29 April 2025 as he had no use of it from that time. If any rentals have been due since then and haven't been paid Alphera should waive them.

If Mr G can provide receipts for any recovery costs and if Alphera haven't already refunded those costs they should do so as they would not have been incurred had the car been of satisfactory quality.

As I've found Mr G should have been allowed to reject the car in April 2025 I don't think it would be fair for him to be paying insurance for the car from the point he left it with the dealership. Alphera should therefore refund any insurance cost Mr G can evidence from 29 April 2025.

Alphera will need to add 8% simple interest to the refunds they provide as Mr G will have been deprived of that money

Alphera have already paid £150 compensation in respect of the distress and inconvenience caused by the first failure. I think Mr G has experienced additional distress and inconvenience in relation to the second failure. He's had, for instance, to escalate his complaint to this service when it could have been resolved earlier and Alphera have threatened to default the agreement in the meantime. In those circumstances Alphera should pay him an additional £100 in compensation.

My final decision

For the reasons I've given above, I uphold this complaint and tell BMW FINANCIAL SERVICES (GB) LIMITED to:

- End the agreement with nothing further to pay.
- Collect the car at no cost to Mr G.
- Refund any deposit Mr G has paid.
- Refund any rentals that have been paid since Mr G returned the car to the dealership on 29 April 2025 as he had no use of it from that time. If any rentals have been due since then and haven't been paid Alphera should waive them.
- Refund 20% of the April 2025 finance instalment in respect of loss of use.
- Refund any recovery costs Mr G can provide receipts for unless they've already done so.
- Refund any insurance cost Mr G can evidence from 29 April 2025 in respect of this vehicle.
- Pay 8% simple yearly interest on all refunded amounts from the date of payment until the date of settlement.
- Pay Mr G an additional £100 to compensate him for the distress and inconvenience caused.

- Remove any adverse information they may have reported to Mr G's credit file in relation to this issue.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 12 February 2026.

Phillip McMahon
Ombudsman