

The complaint

Mr L complains about the quality of a car he acquired under a hire purchase agreement with Black Horse Limited trading as Land Rover Financial Services (BH).

When I refer to what Mr L and BH said or did, it should also be taken to include things said or done on their behalf.

What happened

In March 2024, Mr L entered into a hire purchase agreement with BH to acquire a brand-new car – I will refer to this car as 'Car1'. The cash price of the car was £127,775. There was a deposit of £46,000 and the duration of the agreement was 24 months. This consisted of 23 monthly repayments of about £687.08 plus a final repayment, which included a payment of the purchase fee, amounting to a total of £81,377.

In June 2024, Car1 was diagnosed with noise issues due to turbo. At that time Car1 had travelled around 2,304 miles. It had repairs done to the tensioner and the drive belt in October 2024, when Car1 had travelled around 4,063 miles, but at the end of October 2024 Mr L reported that the fault was still present, and he told the supplying dealership that he wanted to reject the car. The supplying dealership told Mr L that they can switch him to a different car – I will call this 'Car2'. This process started on 6 November 2024, and, at the same time, Mr L contacted BH to discuss issues with Car1 and to inform BH that he was also dealing with the supplying dealership to see what options are available to him.

In mid-November 2024, the supplying dealership offered Mr L £127,775 for Car1 and arranged new financing for Car2. The selling price of the new car was £140,845, but the supplying dealership said Mr L would have to pay a £2,700 mileage fee as he covered around 6,000 miles in Car1. The supplying dealership on Car2 also offered Mr L a client support discount of £2,000 and a dealer contribution of £10,700.

While Mr L was dealing with the supplying dealership, he also called BH who, he said, assured him that he would receive the payments from settling the agreement for Car1 early, once he put in a complaint. On that basis, Mr L said he accepted the dealership's offer and raised a complaint with BH. As part of this complaint Mr L asked BH to refund him the interest charges he had paid to settle the agreement early and the mileage fee he incurred.

Mr L asked BH for these amounts because in September 2024, he settled the finance agreement on Car1 in full. He paid £131,667.54 to BH. This amount was made up of £46,000 – the initial deposit paid in March 2024, plus one monthly payment totalling £687.08 paid in April 2024, followed by one payment of £30,000 in April 2024, and two payments in September consisting of £30,000 and £24,980.46

BH issued two final response letters to Mr L in January 2025. In the first one, they had agreed to carry out an assisted car change with Mr L and offered Mr L £300 for the distress and inconvenience of being supplied with a faulty car. In that correspondence BH said the fair usage charge of £2,700 offered by the supplying dealership was reasonable, and less than what BH would normally charge.

In the second final response letter, BH addressed the incorrect information Mr L said he was provided by them in November 2024 regarding the redress he would receive if a satisfactory quality complaint was received. BH said that it had reviewed the calls Mr L had with them and, they said, their agent did not confirm any interest would be repaid to Mr L, but BH offered £200 for the distress and inconvenience arising from some other incorrect information provided to him at the time.

Mr L remained unhappy with the above, so he referred his complaint to the Financial Ombudsman Service (Financial Ombudsman). To put things right, Mr L would like to be reimbursed the interest costs he incurred of settling the agreement early £3,892.54 (total he paid for Car1 £131,667.54 minus £127,775, the total he received for Car1 when he traded it in). Plus, he wanted the mileage costs he incurred (£2,700) to be returned.

Our investigator considered Mr L's complaint. The investigator was of the opinion that the car was of unsatisfactory quality. As such in their latest opinion, the investigator asked BH to reimburse Mr L the difference between the total amount paid to settle the hire purchase on Car1 (£131,667.54) and the cash price of the Car1 at the point of sale (£127,775). The investigator felt it was fair for Mr L to be responsible for the usage of the car at £2,700 which had been agreed with the dealership. The investigator also thought that BH should pay Mr L £500 for the distress and inconvenience caused. Plus pay 8% simple interest on Mr L's £46,000 deposit, from the date of payment of the deposit to the date of settlement of the agreement in full.

BH did not agree, so the complaint has been passed to me to decide.

After reviewing the case, I issued a provisional decision on 19 November 2025. In the provisional decision I said:

“What I've provisionally 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. Mr L acquired the car under a hire purchase agreement, which is a regulated consumer credit agreement. Our service can look at these sorts of agreements. BH 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 discourtesy 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.

The Consumer Rights Act 2015 (CRA) covers agreements such as the one Mr L 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 Mr L's case Car1 was brand new when he acquired it. So, 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.

I think, most likely, there were faults with Car1. From the breakdown report in June 2024, I can see that there was a noise that sounded like turbo and from the evidence on file I can see that a tensioner and drive belt were replaced at a later point. In addition, later on it was agreed that even though the repairs were completed there still was an intermittent engine noise.

Based on all of the above, I think the car was, most likely, faulty. But 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 Mr L.

Car1 was acquired brand-new and considering the price paid, I think a reasonable person would expect it would be free from even minor defects shortly after it was acquired. Considering the age, mileage of the car, plus the price paid, combined with when the issues were noted, I think most likely, the faults Mr L experienced were because Car1 was not of satisfactory quality when supplied. As it was repaired once, and most likely there still was an intermittent engine noise, I think it is only fair and reasonable that Mr L would have been able to exercise his right, under the CRA, to reject the car. When an alternative car arrangement was proposed as a resolution, BH endorsed this. As such, I have not gone into much detail about this as I do not think BH is disputing that the car was not of satisfactory quality. Instead, I focused on what BH, as the supplier of Car1, should do to put things right for Mr L.

I know, BH think that it would not be reasonable to refund anything further to Mr L because Car2 was arranged under a new finance agreement with a lower Annual Percentage Rate (APR), which has reduced his monthly payments and the overall costs. BH also said that Car2 is a newer model and that the supplying dealership supported Mr L with a substantial goodwill contribution to facilitate the transition from Car1 into Car2. They said this gesture was made purely in the interest of enhancing the client experience and should not be interpreted as admission of liability. Also, BH said Mr L should not be in a better position had no faults occurred. They felt that he is now in a better situation than he would have been otherwise and they stressed that Mr L was aware of the offer made by the supplying dealership before he decided to go ahead with it. As such, I have considered all of the above.

First, I should state clearly that under the CRA Mr L would have been able to exercise his right to reject the car, so my aim is to put him back in the same position he would have been in had he not been supplied with a car of unsatisfactory quality by BH. As a start, I do not think it was unreasonable for Mr L to have traded Car1 for Car2 to try to mitigate his losses, especially as the Car1 was still faulty. I also do not think it was unreasonable that he is now seeking further redress from BH. When coming to these conclusions I have considered several aspects which I'll explain below.

Mr L expressed his wish to reject the Car1 early on. I considered Mr L's testimony, from which I understand that, had BH been clearer in their explanation of the options that were available to him during the calls he had with them, he most likely would have rejected Car1 and would have dealt with this rejection request with BH separately from entering into another transaction to acquire another car with the supply dealership. In addition, having listened to those calls, I think BH, most likely, did lead Mr L to believe that he would likely get refunded all the amounts he has paid, minus the charge for usage. And that he could return to BH after dealing with the dealership for the difference if he still had further losses that he might have incurred after trading in Car1. Also, from the call Mr L had with BH on 7 November 2024, before he traded Car1 for Car2, it was clear that he was always referring to the fact that he was after a refund of all that he paid (£131,667.54) towards Car1 minus a deduction for usage. I mention this because there was not a clear explanation given to Mr L by BH that whatever new deal he negotiates on another car (Car2) would go towards covering the losses he has incurred. Instead, the conversation mostly centred around Mr L receiving his losses back on Car1. I think BH should have provided information to Mr L in a way that is clear, fair, and not misleading. They should have given him this information at the right time, and presented it in a way he could understand, so that he can make well informed and good decisions to achieve his financial objectives. I do not think this happened in the situation in question. Instead, I think, most likely, BH lead Mr L to believe that he could always come back to them for the difference of the trade-in value of his car in comparison to how much he paid towards it.

I know that BH feels "the substantial goodwill contribution to facilitate the transition" from Car1 into Car2 put Mr L in a better position, but this is not something I feel would be fair and reasonable for me to take into consideration for a few reasons, which I'll explain below.

Mr L told us that Car2 was already significantly discounted as per its advertisement at the time, so the deal was not as beneficial as BH makes it out to be. Regardless of this, BH have also told us that the deal Mr L received was simply to improve customer experience. So, it seems that, most likely, the financial incentives Mr L gained from the Car2 deal negotiations were an additional offer separate to the issue at hand with the Car1.

Plus, I do not think it would be fair and reasonable for me to comment on the deals and discounts that the supplying dealership offered to Mr L on Car2, as it seems the dealership had done this on a goodwill basis and to retain a customer. Having considered Mr L's testimony, I think, most likely, he would not have entered into the finance agreement for Car2 had he known he could not go back to BH to recoup further losses he has incurred when trading in Car1. As such, had BH provided him with clear and not misleading information, as I already mentioned above, he would have treated his rejection of Car1 and acquisition of Car2 as two separate transactions. Hence, a fairer and more reasonable outcome would have been to allow Mr L to reject the car, as that is the right he has under the CRA against the supplier – here BH. This would have meant that Mr L would have been able to acquire another car under a new finance agreement, on his own terms.

Taking all of the circumstances of this case, I think BH should reimburse the difference between the amount Mr L paid to settle Car1 agreement (£131,667.54) minus what he received as a trade in value for Car1 (£127,775). This would be £3,892.54.

It is only fair and reasonable that BH is allowed to subtract an amount for usage from £3,892.54 as Mr L managed to travel over 6,000 miles in Car1 and had it for about eight months from March 2024 until November 2024. As such, I think it is reasonable he pays for this use. Hence, it would be fair for BH to keep an equivalent of eight repayments. However, driving the car with issues was likely very stressful and annoying to Mr L. So, this would have reduced the enjoyment and utility Mr L would have had while driving the car with the

faults. There is no exact mathematical method to quantify the impact of driving the car with such issues and I am aware that after the fix the issues were still intermittent. Having considered all the circumstances of this case, including mileage covered plus how often the issues were returning, and how unpredictable in occurrence they were, I think that Mr L should be entitled to a refund of 20% of five monthly hire repayments. The reason I say five monthly repayments' worth, is because it was only about three months after supply that Car1 was diagnosed having issues with noise due to the turbo.

So to summarise:

- BH would have been entitled to retain three full payments of ($£687.08 \times 3 = £2,061.24$);
- Plus 80% of the next five payments ($£687.08 \times 5 = 3,435.4 \times 0.8 = £2,748.32$).
- In total, BH would have been entitled to retain a total of $£2,061.24 + £2,748.32 = £4,809.56$. Of this $£4,809.56$, I can see from the paperwork on file, that, most likely Mr L already paid the supplying dealership $£2,700$. This means that Mr L would owe BH $£2,109.56$ ($£4,809.56$ minus $£2,700$).

As I said above, BH should reimburse Mr L the difference between the amount he paid to settle Car1 agreement ($£131,667.54$) minus what he received as a trade in value for Car1 ($£127,775$) = $£3,892.54$. This means that BH still owes Mr L a refund of $£1,782.98$ ($£3,892.54$ minus $£2,109.56$). To the refund amount of $£1,782.98$, BH should add 8% simple interest from the date Mr L entered into the finance agreement for Car2 until the date of settlement.

I do not think that 8% simple interest should be added to the refund of Mr L's deposit ($£46,000$) on Car1 because that deposit amount was transferred by Mr L to purchase Car2. As such, I do not think he has lost out financially because he was not deprived of having use of this money.

I know that Mr L has mentioned that this situation had an impact on him and had caused him a lot of distress and inconvenience while trying to resolve it. Also, he had to take the car for repairs and has spent a significant amount of time trying to resolve the issues with Car1. I think Mr L would not have experienced all of this, had BH supplied him with a car that was of a satisfactory quality. BH offered a total of $£500$ compensation for the distress and inconvenience of the situation, $£200$ for giving Mr L incorrect information and a further $£300$ for the distress and inconvenience caused by supplying Mr L with a car that was not of satisfactory quality. I think a total of $£500$ in compensation correctly reflects the impact this situation had on him, including the distress and inconvenience that was caused.

My provisional decision

For the reasons given above, I intend to direct Black Horse Limited trading as Land Rover Financial Services to:

1. Refund Mr L $£1,782.98$.
2. Add 8% simple interest per year to the above refunded amount, from the date Mr L entered into the finance agreement for Car2 until the date of settlement;
3. Pay Mr L a total of $£500$ compensation.

If Black Horse Limited trading as Land Rover Financial Services considers that tax should be deducted from the interest element of my award, they should provide Mr L with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so."

I asked both parties to provide me with any additional comments or information they would like me to consider by 3 December 2025.

BH accepted my provisional decision. Mr L did not.

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.

Following my provisional decision Mr L said the only aspect he does not feel is fair is the usage charge calculation. He said it essentially implies that the utility he received from the car for eight months he had it was 88% of what it should have been - albeit there is some small additional compensation of a further £500 which reduces that very slightly. He feels that a luxury car is priced and sold to do a lot more than get you from A to B and in an instance where it is faulty the loss of utility is much higher. Also, he feels that a total of £500 compensation for the distress and inconvenience caused by the situation is not a fair amount considering the impact this situation had on him. He states this is because for many months the dealership told him there was nothing they could/would do for him.

In summary, he feels that the redress is overly generous to BH as, in his view, they should have provided him more assistance. Again, he mentioned that on a call they told him that usage deduction could be £0 to one payment, as he only made one payment. To see now that I have recalculated the usage charges to be so much higher, feels unfair to him and not reflective of the fight, worry, risk, and complete lack of overall utility provided by the car for the time he had it. Overall, he said that the car did not provide a good outcome for him as the consumer.

I've again taken everything he said into consideration, however I still think that it is reasonable Mr L pays a fair and reasonable amount for the use of the car. Mr L managed to travel over 6,000 miles in Car1 and had it for about eight months from March 2024 until November 2024. That is why I said it would be fair for BH to keep an equivalent of eight repayments. However, as driving the car with issues reduced the enjoyment and utility I thought, and I still think, that a refund of 20% of the five monthly repayments is fair and reasonable when considering all the circumstances of this case, including mileage covered plus how often the issues were returning, and how unpredictable in occurrence they were.

I know that this situation had an impact on Mr L and had caused him a lot of distress and inconvenience while trying to resolve it. There are certain actions of the dealership that I cannot consider, but in this decision, I can consider the impact of BH's actions/inactions on Mr L. Having done so, I still think BH's offer of a total of £500 compensation for the distress and inconvenience correctly reflects the impact this situation had on Mr L.

Having reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint, I see no reason to reach a different conclusion to the one I reached in my provisional decision.

My final decision

For the reasons given above, and in my provisional decision, I direct Black Horse Limited trading as Land Rover Financial Services to:

1. Refund Mr L £1,782.98.
2. Add 8% simple interest per year to the above refunded amount, from the date Mr L entered into the finance agreement for Car2 until the date of settlement;

3. Pay Mr L a total of £500 compensation.

If Black Horse Limited trading as Land Rover Financial Services considers that tax should be deducted from the interest element of my award, they should provide Mr L with a certificate showing how much they have taken off so he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 January 2026.

Mike Kozbial
Ombudsman