

The complaint

Mr C complains that the car he acquired financed through a hire purchase agreement with Volkswagen Financial Services (UK) Limited trading as Audi Financial Services (“VFS”) wasn’t of satisfactory quality. He also complains about actions taken by VFS at the end of the agreement.

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.

In September 2020 Mr C acquired a new car financed through a hire purchase agreement with VFS. Mr C said there was a problem with the SOS and display system from the beginning and a repair was done in January 2023. Despite the dealer, D, advising the problem was resolved Mr C has said it continued to be an issue. Towards the end of the agreement term Mr C said he tried to return the vehicle but VFS would not accept it and as a consequence he’d been issued with a default notice. He also said VFS had collected the balloon payment unexpectedly. He raised a complaint.

In its final response VFS did not uphold the complaint. It said it had had no prior notification that it should not collect the balloon payment on 2 October 2024 and Mr C was reimbursed by 10 October. It made Mr C aware that the balloon payment was due and the consequences of non-payment or delayed payment. It said it had been told that D was ready to proceed with a part exchange. Mr C wasn’t satisfied and brought his complaint to this service.

While with this service VFS made an offer to resolve the complaint. It offered

- £500 to reflect the issues the car had in 2023.
- £250 to reflect the distress and inconvenience caused.

Mr C said he couldn’t accept the offer as it didn’t encompass all the issues. These being

1. the vehicle had a manufacturing defect with the software. He said this was from the outset of the agreement and although a repair had been attempted it still wasn’t fixed;
2. refusal to take the car back which was an option once the 4 years expired resulting in a default notice;
3. commission issue relating to the brokers in relation to the finance agreement.

Our investigator concluded that the offer from VFS was fair and reasonable in the circumstances. Mr C didn’t agree and asked for a decision from an ombudsman. He made some additional comments to which I have responded below where appropriate.

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 realise this will come as a disappointment to Mr C but having done so I agree with the conclusions reached by the investigator for the reasons I've outlined below.

First, I've seen that Mr C has made numerous points in support of his complaint. I know that I've summarised it in far less detail and in my own words. I'm not going to respond to every single point made by Mr C. No discourtesy is meant by this. Instead, I've focussed on what I think is the crux of the complaint.

In considering what is fair and reasonable I need to have regard to the relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what I consider having been good industry practice at the relevant time. Mr C's hire purchase agreement is a regulated consumer agreement and as such this service can consider complaints relating to it.

Satisfactory quality

VFS, as the supplier of the car, was responsible for ensuring it was of satisfactory quality when it was supplied to Mr C. Whether or not it was of satisfactory quality at that time will depend on several factors, including the age and mileage of the car and the price that was paid for it. The car was new and had a price of £24,500. Satisfactory quality also covers durability which means that the components within the car must be durable and last a reasonable amount of time – but exactly how long that time is will depend on several factors.

If I am to decide the car wasn't of satisfactory quality I must be persuaded faults were present at the point of supply. Faults that developed afterwards are not relevant, moreover even if the faults reported were present at the point of supply this will not necessarily mean the car wasn't of satisfactory quality. Mr C's car was new when supplied so I would expect it to be free from even minor defects for some time.

I'm persuaded there was a fault with the vehicle. I've seen evidence of emails with D and the vehicle history document. It's accepted by both parties that there was a manufacturing defect related to a software fault with the SOS/SatNav system. The vehicle history document confirms that on 23 January 2023 the fault was investigated and rectified. VFS has also accepted this was a manufacturing issue and as this was a new car I'm persuaded the problem was present or developing at the point of supply so the car wasn't of satisfactory quality.

The vehicle history document confirms that a repair was carried out. As VFS has one opportunity to repair I think it fair this repair took place. Mr C has said the repair hasn't worked and the issues continued. I'm sorry to hear this, but I haven't seen any evidence the repair has failed. Since the complaint has been with this service VFS has recognised that this problem would have caused Mr C impaired use of the car and made an offer of £500 compensation. I think this is fair and reasonable in the circumstances.

Return of the vehicle and default notice

I understand that Mr C has had trouble returning the vehicle to VFS. I can see from email communication and Mr C's testimony that he was in discussion with D regarding his options at the end of the agreement term. The terms and conditions of the agreement state:

2.4 When you have made all the payments due to us under this Agreement, you will have the option of purchasing the Vehicle. You may exercise this by paying to us the Option to Purchase Fee. If no amount is specified on page 1 for this Fee, you may do

so by giving us notice in writing. Until you have exercised this option, the Vehicle will remain our property. Your entitlement to exercise the option will cease on termination of the Agreement.

I've looked at contact notes between Mr C and VFS and I haven't seen any evidence that Mr C informed VFS he wanted to return the vehicle. In his response to our investigator's view Mr C has said that the finance company and the dealership are not separate entities, that they are interlinked and by extension VFS was aware he wanted to return the vehicle. He said the dealership arranged the original finance. I do understand Mr C's point here but the complaint is against Volkswagen Financial Services (UK) Limited trading as Audi Financial Services. The dealership may be under the Audi brand but it is not the same business. It would have acted as the credit broker when setting up the original finance.

Mr C was required to give notice in writing and I've not seen any evidence he did this nor have I seen anything which leads me to believe he was prevented from returning the car.

I've seen copies of arrears letters and a default notice dated April 2025 sent to Mr C. I understand Mr C was in discussion with the dealership regarding returning the car/part exchange but the balloon payment was outstanding with the finance company, which as stated above is a separate entity. And as per his agreement Mr C was required to exercise the option in writing and I've seen no evidence he did so. The balloon payment was outstanding in April 2025 so I don't think VFS did anything wrong in issuing a default notice at that time.

Balloon payment

VFS told this service that Mr C was aware of the date the balloon payment was due and it hadn't received any prior notice to not take it. I can see from the finance agreement that the payment would have been due "48 months after the date set for the first repayment". The first payment was 1 September 2020. I haven't seen any evidence a request was made not to take the payment while discussions were ongoing with the dealership so I don't think VFS has done anything wrong here by taking it. It was returned a few days later.

Commission

Mr C raised further complaint points regarding potential undisclosed commission when he first took out the agreement. This is a separate complaint so I have not responded to it here.

Mr C has explained the poor customer service he received from VFS. VFS has acknowledged Mr C did not receive the customer service it would expect its customer to receive and has offered him £250 for the distress and inconvenience he has incurred. I think this is fair and reasonable in the circumstances.

My final decision

Volkswagen Financial Services (UK) Limited trading as Audi Financial Services has already made an offer to pay £750 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Volkswagen Financial Services (UK) Limited trading as Audi Financial Services should pay £750.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 February 2026.

Maxine Sutton
Ombudsman