

The complaint

Mr B complains that a van acquired with finance from Mi Vehicle Finance Limited (MVF) wasn't of satisfactory quality.

What happened

In April 2021 Mr B was supplied with a van and entered into a hire purchase agreement with MVF.

Mr B was unhappy with the quality of the van. The engine management light illuminated in May 2021 and despite several attempts at repair, the issue wasn't fixed. Mr B was without use of the van for around 9 weeks in total whilst repairs were attempted.

Mr B complained to MVF. In response, it acknowledged that the repairs hadn't been successful. It agreed to allow Mr B to reject the van and said it would refund the deposit. It also said it would refund one monthly payment to compensate Mr B for his loss of use, and a further monthly payment to compensate him for distress and inconvenience.

Mr B wasn't happy with the resolution offered by MVF and brought his complaint to this service. He doesn't feel that he's been adequately compensated for his loss of income, as he says he wasn't able to work whilst he was without the use of the van.

Our investigator upheld the complaint. He said that because Mr B had been without the use of the van for around 9 weeks in total, MVF should refund 2 ¼ months payments amounting to a further £321.58 in addition to the sums already refunded for loss of use.

In relation to the offer of one month's payment for distress and inconvenience, the investigator thought this sum was fair. The investigator considered whether Mr B should receive further compensation for loss of wages but said there wasn't enough evidence to show that the specific insurance Mr B said he needed was raised and discussed with MVF.

Mr B didn't agree. He said he wasn't able to work whilst he was without the use of his van because he couldn't go into the depot in a van which wasn't registered and insured in his name. Mr B said he needed a specific type of insurance to work as a courier.

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.

MVF has accepted that the van wasn't of satisfactory quality. So I won't go into detail regarding the faults with the van. Instead, I'll focus on whether the resolution offered by MVF was fair and reasonable.

When a vehicle is rejected because it wasn't of satisfactory quality, I'd generally expect the business to refund any deposit paid (plus interest) and to refund monthly payments less a deduction for usage. This is to put the consumer back in the position that would have been in had they not been supplied with a car which wasn't of satisfactory quality.

In this case, MVF has already refunded Mr B's deposit (but not interest on the deposit) and has refunded one monthly payment for loss of use (£257.26). I've thought about the length of time that Mr B was without the use of his van. This was around 9 weeks in total. Because of this, I don't think MVF has acted fairly by refunding only one month's payment. It should refund the equivalent of 9 weeks (or 2 ¼ months) payments, which means that a further refund of £321.58 should be paid to Mr B.

Mr B has explained that he was unable to work as a courier for the time he was without the use of the van. He's estimated that he lost earnings of around £7,500. I can see that Mr B was offered a courtesy van on more than one occasion. Mr B says that he declined the courtesy van because he wouldn't have been able to get the necessary goods in transit insurance on it to carry out his job as a courier.

This service asked both parties for further information about any discussions which took place regarding Mr B's need for a specific type of insurance. Very little information was provided. There isn't enough evidence for me to safely conclude that Mr B discussed his insurance needs with MVF. In the circumstances, I don't think it's fair to ask MVF to compensate Mr B for loss of earnings, because I'm not persuaded that MVF was made aware of the insurance issue and therefore didn't have the opportunity to try and address this issue at the time.

Putting things right

I've already explained why I think MVF should increase the amount it pays to Mr B to compensate him for his loss of use of the van. In addition to the sum of £257.26 already offered and paid, MVF should pay a further £321.58. the total sum represents 2 ¼ months loss of use.

I also think MVF should pay 8% interest on the deposit which it has refunded.

It's clear that Mr B has been caused distress and inconvenience as a result of being supplied with a van which wasn't of satisfactory quality. I've thought about the sum offered by MVF for distress and inconvenience (equivalent to one monthly payment of £257.26) and I'm satisfied that this sum is fair and reasonable. So, I won't be asking MVF to increase this element of its offer

My final decision

My final decision is that I uphold the complaint. In addition to the sums already offered and paid to Mr B, Mi Vehicle Finance Limited must pay the further sum of £321.58 to reflect loss of use. It should also pay simple interest at *% on the deposit refund, from the date of payment to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 June 2022.

Emma Davy
Ombudsman