

The complaint

Mrs B complains that a car supplied to her under a hire purchase agreement with N.I.I.B. Group Limited trading as Northridge Finance (“Northridge”) was of an unsatisfactory quality.

What happened

In March 2023, Mrs B was supplied with a used car through a hire purchase agreement with Northridge. The agreement was for £10,496 over 60 months, with monthly repayments of £220.31. Mrs B also paid a cash deposit of £99 and part exchanged her existing car valued at £8,765. At the time it was sold, the car was just under seven years old and had done around 57,000 miles.

Mrs B says that, on the day she was supplied the car, it failed to start after she had driven it home. She says that the dealer allowed her to use her old car that had been taken in part exchange whilst it replaced the battery on her new car. The car then experienced a further electrical fault at the start of May 2023. Mrs B says that the fault was intermittent and displayed a warning message on her dashboard of “ESC service required.”

Mrs B was able to arrange for the vehicle to be repaired at the end of June 2023. The dealer arranged for it to be inspected by a third-party garage, but no fault was found. She says the garage told her that it had performed a system reset as that might sometimes fix the problems she had described.

Five days later the problem reoccurred, whilst Mrs B was away on holiday with her family. And it continued to intermittently occur during the remainder of her holiday. On the journey home she says that car’s turbo failed leaving them with reduced power for the remainder of their trip.

Mrs B took her car into a local repair centre that diagnosed a number of electrical faults with the car, including a “low battery voltage” that she says she has now discovered had been present before the car was supplied to her. And Mrs B says that a further independent inspection on 29 August told her that the car was no longer safe to drive. That inspection also identified a number of stored fault codes in the vehicle’s ECU.

Northridge refunded the cost of the inspection to Mrs B. But it said that the dealer had made Mrs B an appointment for the car to be inspected by a main dealer – and she hadn’t turned up for that appointment. So it told her that it would not be taking any further action on her complaint. Unhappy with that response Mrs B brought her complaint to us.

Mrs B’s complaint has been assessed by one of our investigators. He thought that the evidence suggested the problems Mrs B was experiencing with the car were present at the time it was supplied. And he thought that Northridge had been given an opportunity to resolve those problems when the car was taken into the dealership on 28 June. So he thought that the car was not of a satisfactory quality when it was supplied and that it would be reasonable for Mrs B to reject it. So he set out what Northridge needed to do in order to put things right.

Disappointingly Northridge did not respond to that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Mrs B accepts my decision it is legally binding on both parties.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs B and by Northridge. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

Mrs B was supplied with a car under a hire purchase agreement. This is a regulated consumer credit agreement which means we're able to look into complaints about it. The relevant law – the Consumer Rights Act 2015 (CRA) - says, amongst other things, that the car should've been of a satisfactory quality when supplied. And if it wasn't, as the supplier of finance used to purchase the car, Northridge is responsible. What's satisfactory is determined by what a reasonable person would consider satisfactory given the price, description, and other relevant circumstances. In a case like this, this would include things like the age and mileage at the time of sale, and the vehicle's history.

The CRA also implies that, where a fault is identified within the first six months, it's assumed the fault was present when the car was supplied. So, given the problems Mrs B has experienced all occurred within that period, it would be for Northridge to establish that any faults were not present at the time of sale.

The information that has been provided to us, by Mrs B and Northridge, has allowed me to form a picture of the condition of the car around the time it was supplied. It does seem from the information supplied that the dealer had found a problem with the battery system around a week before the car was collected by Mrs B. The job cards from then show a problem with the battery voltage, and that the dealer had erased some fault codes that had arisen.

On the day that Mrs B collected the car the battery failed. The dealer took the vehicle back for repair and replaced the battery. So I think it is very clear that the problems identified before sale hadn't been sufficiently corrected. Mrs B was told that the issue was resolved by the fitting of the new battery.

But that doesn't seem to have been the case. Mrs B says that the warning lights reappeared around six weeks later at the start of May. So it seems to me that the replacement battery only provided a short-term fix to the problems. I think it would be reasonable to conclude that there was a more fundamental problem with the car.

I accept that Northridge says the dealer was unable to find any fault codes stored when it looked at the car in June. That obviously calls into question the accuracy of Mrs B's testimony. But I'm not persuaded that there is any evidence that Mrs B has been anything other than truthful in what she has told us. And I think that conclusion is supported by the independent inspections that took place in July and August both finding the relevant fault codes to be stored or active.

Based on what I have said above I am satisfied that there was a problem with the car's electrical system at the point it was supplied to Mrs B. And I think that two opportunities were provided for that problem to be fixed – when the car was returned to the dealer on the day it was purchased for the battery to be replaced, and in June when the dealer says no faults were found.

Section 24(5) of the CRA says “a consumer who has ... the right to reject may only exercise [this] and may only do so in one of these situations – (a) after one repair or replacement, the goods do not conform to contract.” This is known as the single chance of repair. And this applies to all issues with the goods, and to all repairs i.e., it's not a single chance of repair for the dealership AND a single chance of repair for Northridge – the first attempted repair is the single chance at repair. What's more, if a different fault arises after a previous repair, even if those faults aren't related, the single chance of repair has already happened – it's not a single chance of repair per fault.

The CRA is clear that, if the single chance at repair fails, as was the case here, then the customer has the right of rejection. However, this doesn't mean that the customer is required to reject the car, and they can agree an alternative remedy i.e., further repairs to the car. But Mrs B has indicated that she has now reached the point that she considers the car to be unsuitable and so wishes to reject it. I think that is a reasonable request. So I will set out below the steps that Northridge now needs to take in order to put things right.

There is little doubt that Mrs B has been inconvenienced by having to arrange for the car to be repaired, and by this repair being unsuccessful. So, I think Northridge should compensate her for this. The investigator had recommended Northridge pay Mrs B £150, which is in line with what I would've directed had no recommendation been made. So, I will make that direction below.

Putting things right

I don't think that the car supplied to Mrs B was of a satisfactory quality. And I am satisfied that, given the required single chance at repair has been offered and been unsuccessful, that it would be reasonable for Mrs B to reject the car. So in order to put things right Northridge should;

- end the agreement with nothing more to pay
- collect the car at no cost to Mrs B
- remove any adverse entries relating to this agreement from Mrs B's credit file
- refund the £8,864 deposit Mrs B paid
- refund the payments that Mrs B has made on the agreement since the car was notified as unsafe to drive on 29 August 2023
- apply 8% simple yearly interest on each of the refunds, calculated from the date Mrs B made the payment to the date of the refund. HM Revenue & Customs requires Northridge to take off tax from this interest. Northridge must give Mrs B a certificate showing how much tax it's taken off if she asks for one; and
- pay Mrs B an additional £150 to compensate her for the distress and inconvenience caused by being supplied with a car that wasn't of a satisfactory quality.

My final decision

My final decision is that I uphold Mrs B's complaint and direct N.I.I.B. Group Limited trading as Northridge Finance to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 13 June 2024.

Paul Reilly
Ombudsman