

The complaint

Mr C complains about problems with a car that was supplied to him under a hire purchase agreement with NIIB Group Limited trading as Northridge Finance (“Northridge”).

What happened

On 27 April 2023 Mr C signed a hire purchase agreement with Northridge for a car. This car was around five years old and had travelled approximately 15,500 miles. The cash price was £77,000.

Mr C paid a deposit of £15,000. Under the terms of the finance agreement, the rest was to be repaid in 48 monthly instalments of £775.63, followed by an optional final payment of around £42,000 if Mr C wanted to keep the car at the end.

Mr C told us that on 30 April 2023 the engine management light (EML) came on whilst he was driving. He said he called the dealer, who advised him to use the manufacturer’s breakdown and recovery service.

Mr C showed us a copy of the report he received from the breakdown service, together with a photo of two errors that were displayed when their engineer plugged in his diagnostic equipment. These were:

“B10A2 Event memory incorrect / no signal”

“P0062 Lambda sens heat.circ. (bank 2 / sens 3)”

Mr C said the breakdown engineer cleared the faults - but advised him to book the car in with the dealer if the problem happened again.

Mr C told us that he called the breakdown service again on 28 May 2023 because the EML had come back on. He said he wasn’t given a breakdown report on that occasion, but he showed us a photo of three errors displayed when the breakdown engineer plugged in his diagnostic equipment. These were:

“U0402 CAN message: Transmission control unit malfunction”

“P0062 Lambda sens heat.circ. (bank 2 / sens 3)”

“P2276 Lambda sens heat.circ. (bank 2 / sens 3) signal malfunction”

Mr C said the breakdown engineer cleared the faults and advised him to get the problem looked into.

Mr C showed us copies of emails he sent the dealer the following day. He told them the EML had just come on for the third time and asked them to look into this as a matter of urgency. He also asked them to look at:

1. the driver’s window deflector, which was loose and rattled when driving at speed on the motorway,
2. the driver’s side tail-light, which had misted up,
3. The driver’s side front tyre, which was slowly losing pressure.

Mr C said the dealer didn't get back to him about booking the car in for repair, so he called Northridge for help. On 6 June 2023 he sent Northridge an email saying he felt he'd allowed the dealer ample time to sort the issues - and that he now wanted to exercise his right to reject the car.

Northridge wrote to Mr C on 18 July 2023. They said they'd closed his complaint because the dealer had told them the problem with the engine management light was resolved. They advised Mr C to get back in touch with the dealer to discuss the other issues he'd mentioned. Within a few days of receiving their letter, Mr C called Northridge to let them know the problems hadn't been resolved.

Having heard nothing more, at the end of July 2023 Mr C referred his complaint to our service. After looking into what had happened, our investigator said he didn't think the car had been of satisfactory quality when it was supplied to Mr C. To put things right, the investigator thought Northridge should arrange for the car to be repaired and pay Mr C £250 for the distress and inconvenience he'd been caused.

Negotiations followed as to whether Mr C would provide a quote for the necessary repairs; who would cover the cost of any further diagnostics required; and how any repairs would be carried out without the supplying dealer's co-operation.

Our investigator was unable to reach agreement between the parties as to how this case should be settled, so it's been passed to me to make a final decision.

My provisional decision

After reviewing the evidence, I issued a provisional decision saying:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The agreement between Northridge and Mr C was for hire purchase. I'm satisfied that I can consider complaints about this type of finance. Under a hire purchase agreement Northridge is the supplier of the car, so they're responsible for a complaint about its quality.

The Consumer Rights Act 2015 (CRA) is relevant to this complaint. It says that under a contract to supply goods, there's an implied term that the quality of those goods is satisfactory. It explains that things like fitness for purpose, appearance and finish, freedom from minor defects, safety, and durability can be aspects of the quality of goods.

The standard that's applied is whether a reasonable person would consider the quality of the goods to be satisfactory, taking into account the way they were described, the price and all the other relevant circumstances. In a case involving a car, it seems likely that the relevant circumstances a court would take into account might include things like its age, mileage, and history.

In this case, I bear in mind that the car was around five years old and had covered approximately 15,500 miles when it was supplied to Mr C. I note that this is generally considered to be a prestige brand of car. It cost £77,000, which is significantly less than it would've cost when it was new.

I don't think a buyer would expect this car to be in perfect condition. I think they'd probably expect some parts to have suffered a bit of wear and tear. But I think they'd expect it to be free from anything other than minor faults when it was supplied - and to be able to drive it for a reasonable amount of time without major issues.

Was the car of satisfactory quality?

I haven't seen any evidence explaining what's causing the fault codes and engine management light to be displayed. But I think the evidence Mr C obtained from the breakdown and recovery service provides enough information for me to be satisfied that there's a fault with the car. I've seen that the lambda sensor has signalled a fault on three separate occasions, causing the engine management light to come on.

As this first happened within a few days of Mr C getting the car, I'm also satisfied that this problem was most likely to have been present or developing when the car was supplied to him. Given the price Mr C paid for this car and how soon he started to have problems with the engine management light coming on, I don't consider it to have been of satisfactory quality when it was supplied.

I don't find it necessary for me to discuss any other problems Mr C may have had with the car, because they don't affect the way I think his complaint should be resolved.

Putting things right

The CRA sets out remedies for situations such as this, where a consumer's right to receive goods that are of satisfactory quality hasn't been met. This includes the right to request a repair. But the CRA explains that the repair must be carried out within a reasonable time and without significant inconvenience to the consumer.

I've seen evidence showing Mr C contacted the dealer on 29 May 2023, asking them to book the car in for repair. By the time he contacted our service for help he'd been waiting two months for this to happen. I don't think it's reasonable for Mr C to have to wait any longer.

For that reason, I think he should now be allowed to exercise the right to reject the car. This means Northridge should make arrangements for the car to be collected and bring the agreement to an end, at no further cost to Mr C. They should also refund the £15,000 deposit he paid.

Mr C told us that although he's been paying for the car, he hasn't been able to make proper use of it. He said he's only used it for short local journeys because he wasn't confident using it with the engine management light on. He explained that he was concerned about the possibility of it breaking down completely a long way from home - and that he hired another car for his holiday.

I think it's fair that Mr C should pay for the use he's had of the car. But I've seen evidence showing the engine management light has been a persistent problem since 28 May 2023. So, I think Northgate should refund 15% of the monthly payments he's made since that date, to reflect the fact that Mr C has been restricted as to the type of journeys he's been able to make in the car.

I think being supplied with a car that wasn't of satisfactory quality has been very upsetting for Mr C. He told us that he's lost confidence due to the problems he's experienced with it and lack of support he's had in getting it put right. He said paying for a car he hasn't been able to use properly has also put a massive strain on his home life. I think Northgate should pay Mr C £250 compensation for the distress and inconvenience he's been caused here.

I also think Northgate should remove any adverse information that's been recorded on Mr C's credit file about this agreement.

For the reasons I've explained, I intend to uphold this complaint and direct NIIB Group Limited, trading as Northridge Finance, to:

- *Arrange for the car to be collected and end the agreement, at no further cost to Mr C.*
- *Refund the £15,000 deposit Mr C paid.*
- *Refund 15% of the monthly payments Mr C has made for the period since 28 May 2023.*
- *Add interest to each of the refunded amounts, calculated from the date of each payment until the date of settlement at 8% simple per year.*
- *Pay Mr C £250 compensation for the distress and inconvenience he's been caused.*
- *Remove any adverse information that's been recorded on Mr C's credit file about this agreement.*

If Northridge decide to deduct tax from the interest element of the award, they should tell Mr C how much they've taken off. They should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax if he's eligible.

I invited both parties to send me any further information or comments they'd like me to consider.

Mr C said he thought the way I'd suggested his complaint should be resolved was fair. Northridge didn't respond.

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.

As no additional information has been provided in response to my provisional decision, I see no reason to change my mind.

My final decision

For the reasons I explained in my provisional decision, I uphold this complaint and direct NIIB Group Limited, trading as Northridge Finance, to:

- Arrange for the car to be collected and end the agreement, at no further cost to Mr C.
- Refund the £15,000 deposit Mr C paid.
- Refund 15% of the monthly payments Mr C has made for the period since 28 May 2023.
- Add interest to each of the refunded amounts, calculated from the date of each payment until the date of settlement at 8% simple per year.
- Pay Mr C £250 compensation for the distress and inconvenience he's been caused.
- Remove any adverse information that's been recorded on Mr C's credit file about this agreement.

If Northridge decide to deduct tax from the interest element of the award, they should tell Mr C how much they've taken off. They should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax if he's eligible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 June 2024.

Corinne Brown
Ombudsman